

**CHARTER COUNTY  
OF WAYNE, MICHIGAN**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2004**

**PREPARED BY:  
DEPARTMENT OF  
MANAGEMENT & BUDGET**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Charter County of Wayne</b>	County <b>Wayne</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>3/31/06</b>	Date Accountant Report Submitted to State: <b>5/19/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* unless reported as a "Yes" response below. "Yes" responses have been disclosed in the financial statements, including the notes, the report of comments and recommendations, or the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. "No" responses indicate that no instances of noncompliance came to our attention.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>KPMG LLP</b>			
Street Address <b>150 West Jefferson, Suite 1200</b>		City <b>Detroit</b>	State <b>MI</b>
Accountant Signature <b>KPMG LLP</b>		ZIP <b>48226</b>	Date <b>5/19/06</b>

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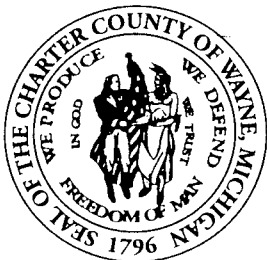
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**Robert A. Ficano**  
County Executive

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March 31, 2006

To the Citizens of the Charter County of Wayne, Michigan:

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2004.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG LLP has issued an unqualified ("clean") opinion on the Charter County of Wayne, Michigan's financial statements for the year ended September 30, 2004. The independent auditor's report is located at the front of the financial section of report.

Management's discussion and analysis section (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

**Profile of the Government**

The County is located in southeastern Michigan, encompassing approximately 623 square miles. It is made up of 33 cities, including the City of Detroit, 10 townships, 1 village, and 41 public school districts. Its population of approximately 2 million makes it the most populous County in the State of Michigan and the 11<sup>th</sup> most populous County in the nation.

The County was incorporated under Act No. 293, Public Acts of Michigan, 1967, as amended. It is governed by a Chief Executive Officer (County Executive), who is elected on an at-large basis for a four-year term and a County Commission (the Commission) comprised of 15 members elected on a partisan basis for two-year terms. The Commission serves as the legislative branch of the County. It is responsible for establishing policy and the County budget. The County also elects the following officials on an at-large basis for four-year terms: County Clerk, Register of Deeds, Prosecuting Attorney, Sheriff and County Treasurer. The County Clerk and the Register of Deeds are responsible for the general recording of official records. The Prosecuting Attorney and Sheriff are responsible for providing quality law enforcement to all people of the County. The Treasurer is responsible for the receipt, custody, and investment of all County funds and the collection of taxes.

The County has primary funding responsibility for the Third Circuit and Probate Courts, although both are legally separate entities and are reported as discrete component units. The Courts are responsible for judicial proceedings within the County. There are three separate divisions of Third Circuit Court: civil, criminal, and family court. The civil division is assigned 25 judges for the resolution of general civil cases. The criminal division is assigned 32 judges and has sole jurisdiction over felonies and high misdemeanors. The family court division has responsibility for hearing both domestic relations and juvenile cases. Probate Court has eight judges who have jurisdiction in all matters related to settlement of estates, trusts and appointment of trustees.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the Budget Division in the Department of Management and Budget on or before March 1<sup>st</sup> of each year. The Budget Division uses these requests as the starting point for developing a proposed budget. The County Executive submits the proposed operating budget to the Commission for review prior to June 1<sup>st</sup>. After public hearings to obtain taxpayers' comments, the Commission legally enacts the budget through the passage of the appropriations ordinance. The appropriated budget for the General Fund is adopted by function (e.g., general government, public safety, public works, etc). Amendments to appropriations that change the County's appropriations ordinance require the approval of the Commission. Certain transfers within line items that do not affect aggregate departmental appropriations may be made without the Commission's approval.

### Local Economy

The economies of the County and the State of Michigan (State) have not recovered from the 2001 recession, in part because of continued downturns in manufacturing, in general, and the automotive industry, in particular. Unemployment in Michigan was 7.1% percent in May 2005, more than a two-percentage point increase from 2003 and two percentage points higher than the national average. The Bureau of Labor Statistics reported in January 2005 that Lansing, the State Capital, experienced the second largest year long employment loss (approximately 5,600 jobs) in the country, following only Detroit, the County seat (approximately 24,000 jobs). After a tough third quarter, Detroit's jobless picture improved and was more in line with that of the State. In fact, third quarter data from the Michigan Department of Labor and Economic Growth showed that the Detroit area followed statewide trends and posted a jobless-rate decrease from the previous year. While it is too early to tell if this trend will continue, there is a promise that upcoming events such as the North American International Auto Show in January and Super Bowl XL in February will help to boost the economy.

The County has a history of relatively comprehensive employee health benefits, brought about in part by collective bargaining agreements between the three large automotive employers in town—General Motors, Ford and DaimlerChrysler—and their respective unions. Currently, benefits remain relatively rich in the County. However, recent financial woes of the State have spurred new discussions with the unions about health care benefits and costs. With the December 1, 2004 expiration of its union contracts, the County is looking for cost reduction options such as purchasing health insurance products with higher deductibles and co-payments, sharing the premium cost with employees, moving to plans with three-tiered drug benefits, or exploring the possibility of a consumer-directed health plan approach, to name a few. These are recent developments in the County, which lags behind other parts of the country in the implementation of these employer budget-cutting strategies. These actions, if implemented, will not stop the increases in costs to the County; it will only slow them down. Even after implementation, the cost to the County for providing health insurance probably will increase by about 10% in fiscal year 2006. It is important to emphasize that both the short-term changes and the longer term recommendations are not intended to diminish the number or the quality of the health care plans offered by the County. The offerings are very important to the health and welfare of the County's staff and their families and are important aspects of the County's ability to recruit and retain the highest quality workforce.

The State Revenue Sharing program distributes sales tax collected by the State of Michigan to local governments as unrestricted revenues. The distribution of funds is authorized by the State Revenue Sharing Act, Public Act 140 of 1971 (Act), as amended (MCL 141.901). Funding for the State Revenue Sharing program consists of the following dedicated tax revenues:

- Constitutional - 15% of the 4% gross collections of the state sales tax
- Statutory - 21.3% of the 4% gross collections of the state sales

In addition, the Act authorizes the appropriation and distribution of State General Fund-General Purpose revenues when local governments qualify for certain supplemental payments. Under the Act, counties receive revenue generated by the sales tax. Of the total amount of sales tax available for distribution to local



governments, counties receive 25.06% of the 21.3%. Payments are apportioned among the 83 counties on a per capita basis, and are distributed each February, April, June, August, October, and December. Under this method, the County received annual distributions totaling approximately \$53 million in 2001 as its distribution of shared revenues.

Effective December 2004, Public Act 357 of 2004 provided a new funding mechanism to serve as a substitute to county revenue sharing payments. This new mechanism involves a gradual three-year shift of the county property tax millage from a winter tax levy to a summer tax levy. In 2005, 1/3 of the County's allocated mills were levied in the summer. In 2006, 2/3 of the county's allocated mills will be levied in the summer and in 2007, and each year thereafter, all of the county's allocated mills will be levied in the summer. Additionally each county must establish a restricted fund to be known as the Revenue Sharing Reserve Fund using fund number 285. Three payments, the sum total of which equals the county's December 2004 property tax levy, must be placed in the fund from the following:

- 1/3 from the county's December 2004 property tax levy
- 1/3 from the county's December 2005 property tax levy
- 1/3 from the county's December 2006 property tax levy

This method of distribution sunsets in 2009. For the year ended September 30, 2004, the County received \$43 million in revenue sharing funds.

The effects of Hurricane Katrina in September 2005 on local economies are stretching well beyond the Gulf Coast. Besides skyrocketing gas prices, state officials and other leaders are bracing for the damage the hurricane's aftermath will inflict on the state's troubled automotive industry and weakened job market. By one estimate, the impact on Michigan could exceed \$5 billion – or nearly 2 percent of the gross state product. Some economists predict the ripple effect from the natural disaster will mean months of higher prices, lower consumer confidence and a virtual guarantee that Michigan will continue to have one of the nation's worst unemployment rates.

Although it is a guessing game at best, economists for the State's Department of Treasury are trying to assess Katrina's damage on Michigan's economy. Higher fuel prices will raise food and housing prices and the cost of doing business for firms big and small, which will pass the cost of doing business to consumers. The service industry, for example, is funneling their increased transportation costs to consumers. Michigan motorists, expecting to pay higher prices at the pump, seemed to breathe a sigh of relief recently as Hurricane Rita weakened and investors bet it would veer away from the largest U.S. refineries. Initial pump prices rose to an average of \$3.11 a gallon for regular gasoline immediately after Katrina. Higher fuel prices could cost state residents and businesses an extra \$1.7 billion by year's end, wiping away \$3.5 billion in disposable income for consumers.

The most visible aspect of Hurricane Katrina will be in employment. Michigan already has one of the highest jobless rates in the nation, a reported 7 percent in June. It is speculated by some that Katrina's impact could be felt in Michigan for up to six months. According to an employment outlook survey, most Michigan employers plan to hire at a brisk pace in the fourth quarter of 2005. In Michigan overall, 22 percent of employers plan to add staff, while only 8 percent plan to cut staff, for a net average survey index figure of 14 percent. In Wayne County, 40 percent of employers plan to hire more employees, while only 7 percent plan to reduce payrolls. That is much more favorable for jobseekers than the figures for the third quarter, when in Wayne County only 5 percent of companies intended to add staff, and 12 percent planned to reduce head count. In the last quarter, job prospects appear best in construction, non-durable goods manufacturing, transportation and public utilities, wholesale and retail trades, finance, insurance, real estate and education. Employers in the services industry plan to reduce staffing levels, while those in durable goods manufacturing voiced mixed intentions. Hiring in public administration is expected to remain unchanged. Nationally, of 16,000 employers surveyed, 29 percent said they expect to add staff, while 8 percent plan to reduce staff levels, for a net index of 21 percent.

Some Michigan farmers are facing new harvest season challenges as a result of the storm's altering of Mississippi River and Port of New Orleans traffic.

Northwest Airlines, which has a hub at the Wayne County Airport Authority (WCAA), a discrete component unit of the County, filed Chapter 11 Bankruptcy in September 2005. The hub, which handles 64% of passenger services, blamed competition from low-cost carriers, the highest labor costs in the industry, huge pension payments coming due, and record-high fuel costs as the reasons for the filing. The price of jet fuel soared to new levels after Hurricane Katrina knocked out refining capacity in the southern U.S. In Northwest's 24-page filing made in U.S. Bankruptcy Court in New York, the Eagan, Minnesota-based airline listed debts of \$17.9 billion and assets of \$14.3 billion. At the time of the bankruptcy, Northwest had about \$1.5 billion in cash, which was down by more than \$2 billion in June. Additionally, the airline owes its 100 largest unsecured creditors just over \$2.3 billion. The County is not a guarantor on any of the WCAA's debt except for the Airport Hotel Revenue Bonds as discussed in Note 11 of the financial statements. Therefore, the bankruptcy filing will not have a financial impact on the County.

### **Long-Term Financial Planning**

The County is projected to remain in sound financial condition, however, revenue growth is projected to be lower than expenditure growth in several funds, including the General Fund, which will require actions to be taken, as described below. The County has little general obligation debt and all outstanding debt is within conservative guidelines. No significant debt is anticipated over the next few years; however, the County will take every opportunity to refinance existing debt, depending on the results of the bond market.

Unreserved, undesignated fund balance in the General Fund of \$25.0 million (5.6% of expenditures), falls within the policy guidelines set by the Government Financial Officers Association and the fund balance policy (between 5 and 15% of expenditures) issued by the Department of Management and Budget. Although the unreserved, undesignated fund balance of the County is closer to the lower end of the range, the County intends to raise the bar within the next five years to ensure that the County is in good financial position and can finance services to the public on an ongoing basis. The goal is to build a self-sustaining government, with a sound infrastructure and an excellent quality of life. This plan, when implemented, will be one that shifts the emphasis from bottom line financial concerns to service delivery within a longer-term financial planning horizon. The Long-Term Financial Plan (Plan) will include:

- An assessment of the County's demographic and economic environment
- Preparation of a 10-year projection of operating costs and capital spending requirements
- Identification of options for addressing the financial gap between revenues and spending requirements
- Development of financial planning principles and supporting policies to guide future budgets
- Preparation of the Long-Term Financial Plan for presentation to the County Executive and the County Commissioners.

### **Ensure Long-Term Financial Sustainability**

Recognizing that the County can only count on the revenues of which it has control and that shared revenues will most likely diminish in the future, the financial requirements for the County's operating and capital needs will be determined on a multi-year basis. Management will identify the funding gap between revenues and expenditures and include in the annual budget process a detailed one-year budget, a three year budget forecast, and an annual update of the 10-year projection, including identification of the long-term funding gap and the County's progress in addressing the gap. The County will need to raise sufficient revenue to meet long-term operating and financial requirements, recognizing that inflation increases the cost of both operating and capital programs. Additionally, the County will annually identify and provide for capital from current funding, annual debt servicing costs, and for changes to operating costs arising from new/replaced infrastructure. Finally, the

plan for the replacement of infrastructure through the use of life cycle costing and the development of replacement reserves will be examined.

**Deliver Services in a Cost-Effective and Efficient Manner**

As part of this Plan the County envisions undertaking regular service level reviews giving consideration to its demographic profile and other relevant factors. A review of the County's programs on a regular, rotating basis, through the use of value-for-money audits, will need to occur to ensure services are delivered in a cost-effective and efficient manner. Finally, the County will continue to develop and improve upon key performance measures for each program area and incorporate performance measures in the annual operating budget.

**Ensure Operating Revenues are Sustainable and Consider Community-wide and Individual Benefits (taxes versus user charges)**

The County will look critically at all the services it provides on an annual basis. No longer will the County be able to finance services or programs that are not self-sustaining. Financing for these services will depend on the ongoing, sustainable revenue sources. That will be accomplished by aligning source and application of revenue after considering community-wide and individual benefits and by targeting proportions of program costs to be raised through user charges based on reviews of benefits received. User charges at rates that will yield the target proportions will be established and those rates will be increased at the same (or greater) rate as increases in program operating costs. The County will strive to increase user fees as a percentage of overall funding by identifying new areas where user fees can be implemented ensuring that both operating and capital costs are considered when establishing user fees (full program costing). Programs, which are driven entirely by individual benefit, should be fully self-supporting through user fees. User fees should cover all operating and capital costs. New programs will only be implemented if fully financed from user fees and program reserves. In reaching decisions concerning the implementation of new user fees to pay for services, consideration will be given to the relative shifts of costs between tax classes. User fees, which would result in significant shifts between tax classes, should be phased in.

**Meet Social Equity Objectives Through Specific Programs**

Financial planning policies should be applied on the basis of their benefit to the community as a whole. Following the course of this objective, in 2005, the Chief Executive Officer, Robert Ficano, announced an initiative to spur economic development activities throughout the County. Transforming Underdeveloped Residential and Business Opportunities (TURBO) in its simplest form, will grant tax relief for new construction and rehabilitation of residential, retail and other commercial activity. The County, in partnership with the local communities will target areas and underdeveloped parcels of land in need of economic revitalization. Investors will enter into a development agreement with the County that describe the development plan, the amount of eligible expenses to be reimbursed along with the intended completion date of the project. Eligible expenses may include infrastructure cost (sewerage, sidewalks, etc), demolition costs, environmental remediation and soft costs such as title, survey fees and permits. The advantage of this initiative for the County includes an increase in the tax base of the County and other local municipalities and taxing entities, including school districts. At the same time, investors receive one year free property taxes, up to 50% of property taxes will be used to refund eligible expenses and the tax benefit coincides with the land thus benefiting the developer and the purchaser. In addition, the flexibility of the initiative may be tailored on a case-by-case bases to fit project needs.

### **Manage the County's Capital Assets to Maximize Long-term Community Benefit**

The County must maintain its required infrastructure in a 'state of good repair' by implementing life cycle costing to provide for the future rehabilitation/replacement of assets. In order to accomplish this, regular reviews of remaining life and condition of assets will have to occur to determine required annual reserve contributions sufficient to ensure that 90 percent of approved infrastructure rehabilitation/replacement schedules can be met at the required time. Assets and facilities should be regularly reviewed and rationalized based on service demand and service level benchmarks. Facilities that do not achieve approved revenue/cost targets should be considered for closure.

The County will dispose of capital assets, which are not required for long-term community purposes. Finally, a capital-funding plan will be implemented to address the County's infrastructure renewal requirements.

### **Recognize that Funding From Senior Governments is a Crucial Element of Financial Sustainability**

The County must seek additional sustainable revenues from the federal and state governments and senior government funding sufficient to bridge the funding gap between net required program costs and affordable tax and user charge rates/revenues.

The County will participate in grant/subsidy programs only if programs/projects to be supported are required or can be justified independently of the provisions of the grant/subsidy.

### **Use Debt Financing where Appropriate**

Debt financing should only be considered for:

- Programs and facilities which are self-supporting
- Projects where the cost of deferring expenditures exceeds debt servicing costs, and
- New, non-recurring infrastructure requirements

In addition, the County will be continuously looking at its existing debt to take advantage of lower interest rates and other opportunities. Two debt refinancings are under consideration for fiscal year 2006.

The County is also considering undertaking a short-term, managed program of debt financing to address the County's current infrastructure deficiency and to reduce further deterioration of the County's infrastructure in 2006. For debt charges declining due to retirement of debt, the County will apply savings to accelerate achievement of full life cycle costing for County infrastructure. Finally, the County will continuously review its debt and fund balance policies and other tools to maintain an 'AAA' rating from the bond rating agencies.

### **Maintain Reserves and Reserve Funds at Appropriate Levels**

The accumulation of adequate reserves and reserve fund balances is critical to the County's long-term financial viability primarily for three reasons. First, certain liabilities, although incurred in the current period, are not paid until future periods, as is the case with workers' compensation and retiree health obligations. Reserves are necessary in order to fund these future payments. Without these reserves, a significant unfunded liability could accumulate, negatively impacting operations in the year of the payment. Second, reserves and reserve fund contributions are necessary in order to provide for the repair and replacement of the resources that are being consumed in current operations. For example, as mentioned above, as County infrastructure wears out or is "consumed" in the current year, the County should contribute to replacement reserves or reserve funds so that funds are available when needed in the future for replacement. Over the next few years, the County will be giving highest priority to restoring and maintaining the County's infrastructure. To conduct essential business and deliver expected services, the County must devote resources to its roads, parks and other facilities. An


infrastructure reserve will be created to address this top priority and ensure future project funding. Of course, funds could be borrowed for future requirements but this alternative is more expensive, leaving the County vulnerable to future interest rate fluctuations and shifts the burden of funding to the future, rather than the present. Finally, the existence of adequate reserves and reserve funds can provide a buffer or "safety net" against significant negative financial developments. The County is currently in a period of prolonged financial restraint that has been created by successive years of funding cutbacks and downloading of responsibilities by the State of Michigan. As a result, the strategy of contributing to reserves and reserve funds is one of the few reliable ways to ensure that future requirements for service will be met or that additional negative developments will not curtail the County's ability to deliver services needed by its residents. In addition, reserves are used as a financial yardstick to determine a County's credit worthiness and credit rating. A strong bond rating position allows flexibility to the County in capital financing and becomes a part of a positive cycle. A stronger reserve and reserve fund position contributes to a stronger credit position which in turn allows the County to issue long term debt at a lower cost. The lower cost contributes to a lower debt burden per capita. In addition, and perhaps more importantly, stronger reserve balances also mean that there will be less reliance on a long-term debt funding for future projects, further reducing our debt burden.

#### Awards and Acknowledgements

For the eleventh year in a row, the County received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. Every year the County submits its budget document to the GFOA to determine its continued eligibility for the Distinguished Budget Presentation Award.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Department of Management and Budget. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to express our appreciation to the County Executive, and his staff, for their leadership and continued support of the policies of this Department.

Respectively submitted,

  
Carla E. Sledge  
Chief Financial Officer

  
Dinah Tolbert  
Director of Accounting

## **PRINCIPAL COUNTY OFFICIALS**

### **COUNTY EXECUTIVE**

Robert A. Ficano

### **DEPUTY COUNTY EXECUTIVE**

Azzam E. Elder

### **CHIEF OPERATING OFFICER**

Bella I. Marshall

### **CHIEF FINANCIAL OFFICER**

Carla E. Sledge, CPA, CGFM

### **CHIEF OF STAFF**

Nancy E. Mouradian

## **DEPARTMENT HEADS**

**Children & Family Services**  
VACANT

**Corporation Counsel**  
Judge Edward M. Thomas

**Environment**  
Kurt L. Heise

**Health & Human Services**  
Dorothy V. Gonzales

**Homeland Security Emergency Management**  
James P. Buford

**Economic and Neighborhood Development**  
Dr. Mulugetta Birru

**Management & Budget**  
Carla E. Sledge, CPA, CGFM

**Personnel Human Resources**  
Timothy R. Taylor

**Public Services**  
VACANT

**Senior Citizens & Veterans Affairs**  
Kevin F. Kelley

**Technology**  
Larry L. Simmons, Sr.

## **OTHER ELECTED OFFICIALS**

**Circuit Court**  
Chief Judge Mary Beth Kelley

**County Clerk**  
Cathy M. Garrett

**Probate Court**  
Chief Judge Milton L. Mack, Jr.

**Prosecuting Attorney**  
Kym L. Worthy

**Register of Deeds**  
Bernard J. Youngblood

**Sheriff**  
Warren C. Evans

**Treasurer**  
Raymond J. Wojtowicz

**WAYNE COUNTY COMMISSION**

Jewel C. Ware  
**Chairwoman**  
4<sup>th</sup> District

John J. Sullivan  
**Vice Chair**  
11<sup>th</sup> District

Edward A. Boike, Jr.  
**Vice Chair Pro Tempore**  
15<sup>th</sup> District

Christopher F. Cavanagh  
1<sup>st</sup> District

Bernard Parker  
2<sup>nd</sup> District

Moe Blackwell  
3<sup>rd</sup> District

Ilona Varga  
5<sup>th</sup> District

Keith D. Williams  
6<sup>th</sup> District

Kwame Kenyatta  
7<sup>th</sup> District

Alisha R. Bell  
8<sup>th</sup> District

Philip M. Cavanagh  
9<sup>th</sup> District

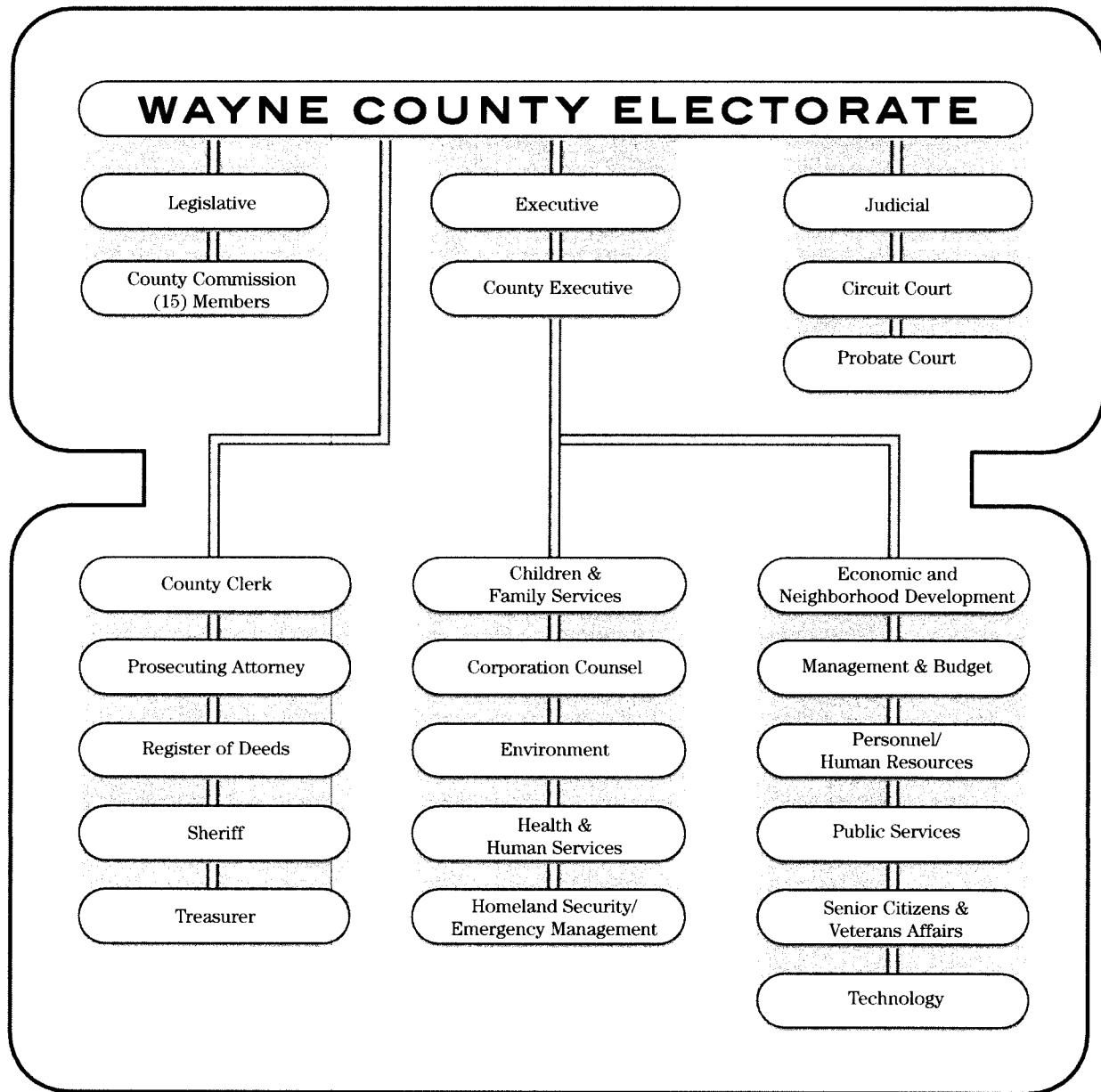
Laura Cox  
10<sup>th</sup> District

Kay Beard  
12<sup>th</sup> District

Gary Woronchak  
13<sup>th</sup> District

Joseph Palamara  
14<sup>th</sup> District

# ORGANIZATIONAL CHART







**KPMG LLP**  
Suite 1200  
150 West Jefferson  
Detroit, MI 48226-4429

## **Independent Auditors' Report**

The County Executive and County Commissioners  
Charter County of Wayne, Michigan:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan (the County) as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mental Health Fund, a major governmental fund, which represents 5.0% and 34.9%, respectively, of the assets and revenues of the governmental activities. We also did not audit the Detroit-Wayne County Stadium Authority, which represents 19.9% and 1.2%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Pension Trust Funds, which represent 76.0% and 28.8%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Mental Health Fund, Detroit-Wayne County Stadium Authority, and the Pension Trust Funds, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan as of September 30, 2004, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages II-3 through II-16, the budgetary comparison information on pages II-113 through II-117, the Schedule of Funding Progress and Summary of Actuarial Methods and Assumptions on page II-118, and the Note to the Required Supplementary Information on page II-119 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

KPMG LLP

Detroit, Michigan  
March 31, 2006

## CHARTER COUNTY OF WAYNE, MICHIGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As management of the Charter County of Wayne, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-1 to I-7 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

#### FINANCIAL HIGHLIGHTS

##### Government-Wide Highlights:

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year, September 30, 2004, by \$1.7 billion (net assets). Of this amount, \$162.8 million, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets decreased by \$82.0 million (a 4.7 percent decrease) for the fiscal year ended September 30, 2004. Net assets of governmental activities decreased by \$66.1 million (5.3 percent decrease), while net assets of the business-type activities decreased by \$15.9 million (3.2 percent decrease). Net assets for governmental activities decreased primarily as a result of a \$47.8 million increase in long-term obligations due to the State of Michigan, \$3.8 million cut in state revenue sharing, unanticipated cost overruns for prisoner medical services at the jails, \$3.1 million, an increase in accrued compensated absences, \$2.8 million, accrued interest expense, \$1.3 million, accrued juvenile justice costs, \$9.9 million, offset by a decrease in accrued claims, litigation and assessments, \$1.7 million and unidentified bank debits, \$0.5 million. The decrease in business-type activities, \$15.9 million, was primarily due to the four sewage disposal systems incurring net operating losses, while revenues from charges for services and collections from communities remained relatively flat in comparison to the prior year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$119.4 million for the fiscal year ended September 30, 2004, a decrease of \$16.6 million in comparison to the prior year. Approximately 24 percent of this amount, \$29.0 million *is available for spending* at the government's discretion (*unreserved fund balance*), while \$37.7 million is *designated* for contingencies related to mental health.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund amounted to \$17.1 million, or 3.7 percent of total general fund expenditures.
- The County's total long-term debt obligations increased by \$15.6 million (2.8 percent) during the year. This increase primarily represents the net difference between new issuances, delinquent tax notes, \$133.5 million, and payments on outstanding debt, \$118.4 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information including budgetary schedules and combining financial statements in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* provide a broad view of the County's operations in a manner similar to a private-sector business.

The *statement of net assets* presents all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include the legislative, judicial, general government, public safety, public works, highways, streets and bridges, health and welfare, recreation and cultural and non-departmental operations. The business-type activities of the County include the operations of the sewage disposal systems, jail commissary, parking lots and the Wetlands Mitigation Project.

The government-wide financial statements include not only the County itself (known as the primary government), but also ten legally separate organizations for which the County has financial accountability or other financial interest. These entities operate as governmental entities similar to the governmental activities described above except for the Wayne County Airport Authority, which operates like the business-type activities. The County's discretely presented component units are presented in two categories, major and non-major. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. The two discretely presented major component units are the Wayne County Airport Authority and Third Circuit Court.

There are eight discretely presented non-major component units that are combined into a single column for reporting in the fund financial statements. These non-major component units include:

- Wayne County Stadium Authority
- Chapter 8 Drainage District
- Chapter 20 Drainage District
- Chapter 21 Drainage District
- Probate Court
- Economic Development Corporation
- Brownfield Redevelopment Authority
- HealthChoice of Michigan

Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages II-18 to II-21 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Roads, Mental Health, Health, and Juvenile Justice and Abuse/Neglect, all of which are considered to be major funds. Data from the other 27 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages II-22 to II-27 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Delinquent Tax Revolving Fund, the Downriver Sewage Disposal System, the Rouge Valley Sewage Disposal System, the Combined Sewer Overflow (CSO) Basins, and the Northeast Sewage Disposal System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central services, Department of Environment administrative costs, risk management services (insurance), equipment lease financing, and building and grounds maintenance. Because

all of these services predominantly benefit governmental rather than business-type functions, they have been included as *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the operations of the County's eight enterprise funds, four of which are considered to be major funds of the County. Major funds include the operations of the Delinquent Tax Revolving Fund, the Downriver Sewage Disposal System, the Rouge Valley Sewage Disposal System and the CSO Basins. Data from the four non-major enterprise funds are combined into a single aggregated presentation.

The proprietary fund basic financial statements can be found on pages II-28 to II-31.

Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages II-32 to II-33 and pages II-168 to II-174 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-38 to II-112 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules. Required supplementary information can be found on pages II-113 to II-119 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information, and begin on page II-120.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1.7 billion at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (84.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter County of Wayne, Michigan  
Net Assets - Primary Government  
As of September 30 (in thousands)

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2004	2003	2004	2003	2004	2003
Current assets	\$ 476,566	\$ 427,878	\$ 87,967	\$ 89,265	\$ 564,533	\$ 517,143
Capital assets	1,327,938	1,352,976	455,259	471,871	1,783,197	1,824,847
Other non-current assets	31,311	82,560	221,202	234,411	252,513	316,971
Total assets	1,835,815	1,863,414	764,428	795,547	2,600,243	2,658,961
Current liabilities	284,124	292,688	52,615	52,519	336,739	345,207
Non-current liabilities	365,163	318,076	226,316	241,668	591,479	559,744
Total liabilities	649,287	610,764	278,931	294,187	928,218	904,951
Net assets:						
Invested in capital assets, net of related debt	1,197,506	1,203,125	213,588	210,961	1,411,094	1,414,086
Restricted	89,283	116,567	8,860	5,598	98,143	122,165
Unrestricted	(100,261)	(67,042)	263,049	284,801	162,788	217,759
Total net assets	\$ 1,186,528	\$ 1,252,650	\$ 485,497	\$ 501,360	\$ 1,672,025	\$ 1,754,010

An additional portion of the County's net assets (\$98.1 million, 5.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$162.8 million, 9.7 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a decrease of \$27.3 million in restricted net assets reported in connection with the County's governmental activities. Almost sixty percent of this decrease (\$16.0 million) resulted from a reduction in funding for federal transportation grants. Additionally, the remaining decrease resulted primarily from the reclassification of net assets related to the delinquent tax revolving funds to unrestricted as delinquent tax notes are retired and reserve requirements are satisfied. Restricted net assets reported in connection with the County's business-type activities increased by \$3.3 million as a result of an increase in sewage system assets related to bond programs.

The County's net assets decreased by \$82.0 million during the current fiscal year. About \$46.8 million or 57 percent of this decrease was due to an increase in long-term obligations due to the State of Michigan, while \$14.8 million or 18 percent represents the degree to which increases in ongoing expenses, primarily health care and pension costs, have outstripped similar increases in ongoing revenues. The remainder of this decrease can be attributed to the increase in the costs of operation for sewage services.

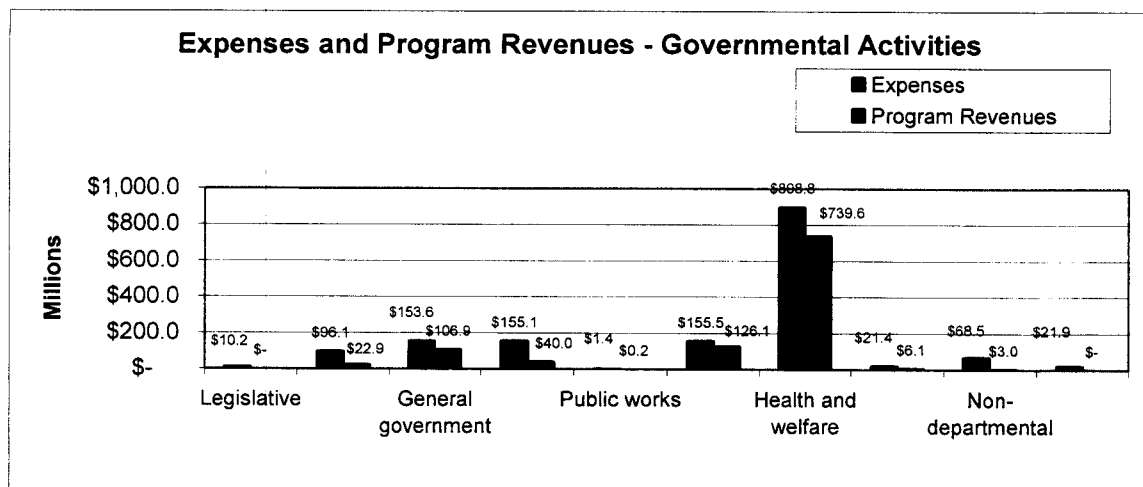
**Governmental activities.** Governmental activities decreased the County's net assets by \$66.1 million, thereby accounting for 80.7 percent of the total reduction in net assets. Key elements of this decrease are as follows:

**Change in Net Assets - Primary Government**  
**For the Year Ended September 30 (in thousands)**

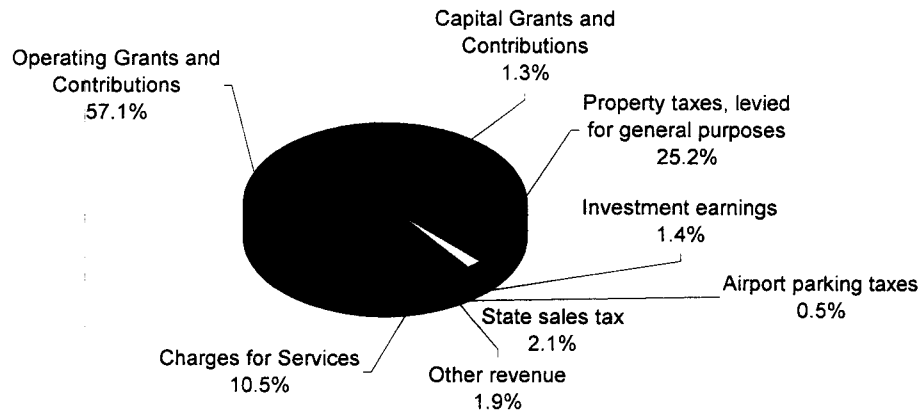
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals Primary Government</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 159,294	\$ 159,434	\$ 69,563	\$ 67,682	\$ 228,857	\$ 227,116
Operating grants and contributions	866,483	788,897	9,287	4,415	875,770	793,312
Capital grants and contributions	18,963	8,278	1,508	1,890	20,471	10,168
General revenues:						
Property taxes and airport parking taxes	389,710	373,457	-	-	389,710	373,457
Investment earnings	21,817	28,435	102	499	21,919	28,934
Intergovernmental	31,687	33,783	-	-	31,687	33,783
Other revenue and amortization of bond issuance costs	28,319	21,113	-	-	28,319	21,113
Transfers in (out)	(45)	(112)	45	112	-	-
Total revenues and transfers	<u>1,516,228</u>	<u>1,413,285</u>	<u>80,505</u>	<u>74,598</u>	<u>1,596,733</u>	<u>1,487,883</u>
<b>Expenses:</b>						
Legislative	10,177	11,412	-	-	10,177	11,412
Judicial	96,132	95,642	-	-	96,132	95,642
General government	153,568	151,164	-	-	153,568	151,164
Public safety	155,073	143,033	-	-	155,073	143,033
Public works	1,405	1,362	-	-	1,405	1,362
Highways, streets and bridges	155,502	136,368	-	-	155,502	136,368
Health and welfare	898,802	810,848	-	-	898,802	810,848
Recreation and cultural	21,382	25,316	-	-	21,382	25,316
Non-departmental	68,457	16,194	-	-	68,457	16,194
Interest on long-term debt	21,852	18,524	-	-	21,852	18,524
Sewage Disposal Systems	-	-	94,529	88,812	94,529	88,812
Jail Commissary	-	-	1,617	1,519	1,617	1,519
Parking Lots	-	-	219	204	219	204
Wetlands Mitigation	-	-	3	18	3	18
Total expenses	<u>1,582,350</u>	<u>1,409,863</u>	<u>96,368</u>	<u>90,553</u>	<u>1,678,718</u>	<u>1,500,416</u>
Change in net assets	(66,122)	3,422	(15,863)	(15,955)	(81,985)	(12,533)
Net assets at October 1	<u>1,252,650</u>	<u>1,249,228</u>	<u>501,360</u>	<u>517,315</u>	<u>1,754,010</u>	<u>1,766,544</u>
Net assets at September 30	<u>\$ 1,186,528</u>	<u>\$ 1,252,650</u>	<u>\$ 485,497</u>	<u>\$ 501,360</u>	<u>\$ 1,672,025</u>	<u>\$ 1,754,011</u>



- *Charges for services* remained relatively flat relative to the prior year.
- *Operating grants and contributions* increased by \$77.6 million over the prior year, primarily due to new grant funding for health and welfare initiatives, including the Adult Benefit Waiver Program, \$39.4 million, Juvenile Justice programs for delinquent youth, \$17.6 million and mental health services, \$14.6 million.
- *Capital grants and contributions* for highways, streets and bridges increased by \$10.7 million; over the prior year, due to an expanded road maintenance and construction program.
- *Property taxes* increased by \$16.3 million over the prior year reflecting continued growth and stability in home values for the region as well as home sales and new home construction, while airport parking taxes increased by \$0.5 million over the prior year.
- *Investment earnings* include interest and rental revenues on County properties. Investment earnings totaled \$21.8 million, a decrease of \$6.6 million over the prior year, primarily due to reduced market rates of interest on investments.
- *Inter-governmental revenues* decreased by \$2.1 million over the prior year, as a result of a reduction in state funding for revenue sharing.



### Revenue by Source - Governmental Activities



- Expenses for the *legislative, judicial and general government* functions of the County remained relatively flat and increased by 0.6 percent over the prior year, a rate less than the consumer price index.
- *Public safety* expenses increased by \$12.0 million over the prior year, an 8.4 percent increase. This increase was primarily due to cost overruns in County jail operations, including overtime and utilities.
- *Highways, streets, and bridges* account for all Roads Fund construction and maintenance activity. Total costs amounted to \$155.5 million, a \$19.1 million increase compared to the prior year, or 14.0 percent. This increase resulted primarily from increased road maintenance and construction activity.
- *Health and welfare* expenses increased by \$88.0 million, or 10.8 percent over the prior year. The new Adult Benefit Waiver program, \$37.0 million, accounted for more than 42.0 percent of the increased costs.
- *Recreation and cultural* expenses include all activities related to the county parks and the Elizabeth Park Marina, non-major funds. Expenses decreased by \$3.9 million compared to the prior year. Approximately 41 percent of the decreased costs related to lower outside maintenance costs for Parks operations.

**Business-type activities.** The business-type activities reduced the County's net assets by \$15.9 million for the year, compared to a reduction of \$16.0 million in the prior year. This reduction resulted primarily from net operating losses incurred by each of the sewage disposal systems, as follows:

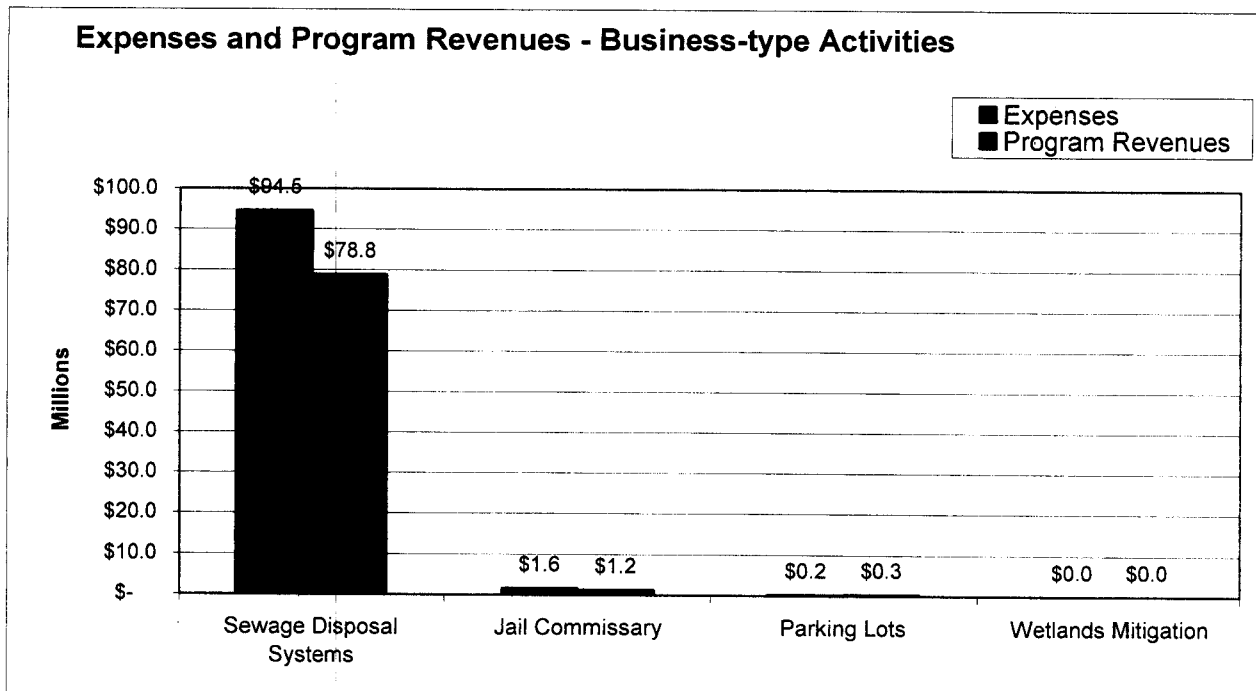
- *Downriver, (\$10.3) million.* The *Downriver* system cut its operating losses by \$4.5 million over the prior year as a result of increasing revenues by \$2.3 million, while cutting operating costs, primarily salaries and fringe benefits by (\$2.2) million.
- *CSO Basins, (\$1.9) million.* The *CSO Basins* reduced operating losses by \$3.8 million compared to the prior year through increased net collections from participating communities, \$3.7 million.
- *Rouge Valley, (\$2.2) million.* The *Rouge Valley* system experienced operating cost increases, \$7.2 million, primarily related to excess sewage disposal charges, while revenues remained relatively flat.

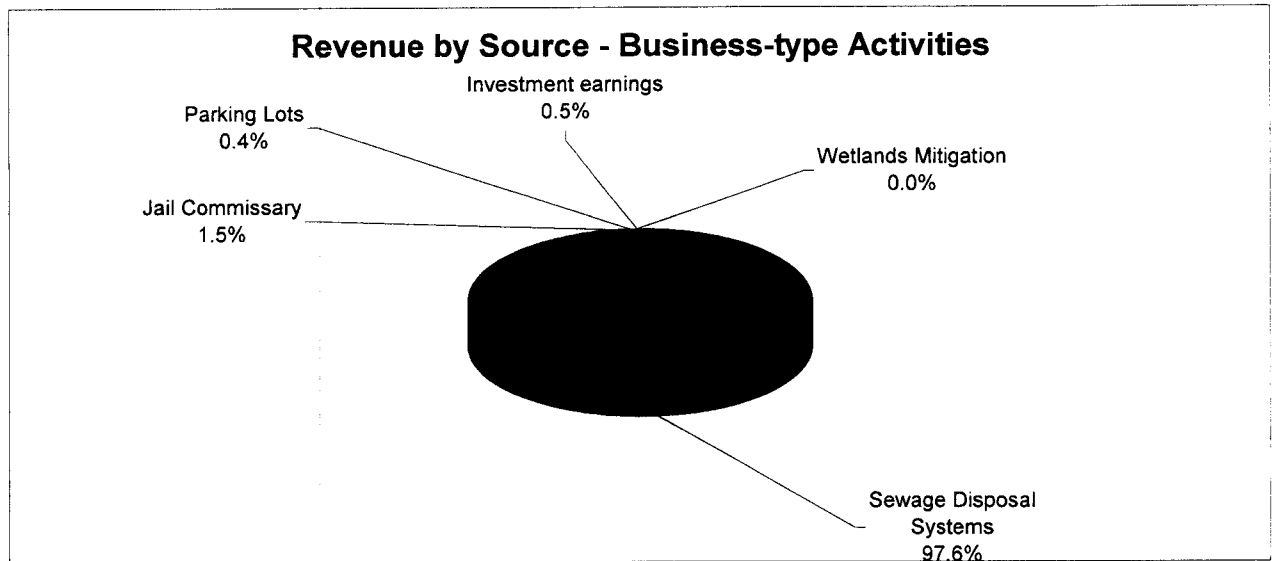
- *Northeast, (\$1.1) million.* The Northeast system experienced operating cost increases, \$1.6 million or 11.3 percent, primarily related to contractual services, \$1.7 million, while revenues increased by \$0.5 million or 3.7 percent.

### Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.





As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$119.4 million, a decrease of \$16.6 million in comparison with the prior year. Approximately 24.4 percent of this total amount (\$29.1 million) constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. Approximately 31.6 percent of this total amount (\$37.7 million) is designated for mental health services. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$9.2 million), 2) to pay debt service (\$32.2) million, 3) to pay for the capital projects, (\$10.6 million) and 4) for prepayments and deposits (\$0.6 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$17.1 million, while total fund balance amounted to \$19.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 3.7 percent of total general fund expenditures, while total fund balance represents 4.2 percent.

The fund balance of the General Fund decreased by a net \$11.7 million during the current fiscal year. Key factors in this net decrease are as follows:

- An increase in overtime related to County jail operations, \$3.3 million
- Cut in state revenue sharing payments to the County, \$3.8 million
- An increase in prisoner medical costs, \$8.3 million
- Shortfall in anticipated airport parking tax revenues, \$1.1 million
- Shortfall in anticipated investment income, \$1.1 million, primarily as a result of lower earnings rates
- An increase in miscellaneous fees and contractual services, \$1.1 million

The decreases noted above were offset by increases in the following:

- Register of Deeds recording fees, \$4.4 million
- Unallocated contingency reserves, \$2.5 million

The Roads' fund balance decreased by a net \$16.4 million. This shortfall resulted primarily from a shortfall in anticipated federal grant revenues, \$13.3 million.

The Mental Health fund balance increased by a net \$29.5 million as a result of the following:

- Unallocated contingency funding in the mental health reserves, \$22.8 million
- Reduction in administrative costs for salaries and fringe benefits, \$3.5 million
- Special one-time state allocation of revenues, and a grant settlement, \$2.5 million

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the three major sewage disposal systems at the end of the year amounted to the following:

- *Downriver*, \$191.9 million, net assets for the Downriver system decreased by \$10.3 million over the prior year;
- *Rouge Valley*, \$23.5 million, net assets for the Rouge Valley system decreased by \$2.2 million over the prior year;
- *CSO Basins*, \$39.1 million, net assets for the CSO Basins decreased by \$1.9 million over the prior year;

Unrestricted net assets for the Delinquent Tax Revolving Fund amounted to \$49.8 million and increased by \$8.6 million during the current year. Overall, net assets decreased by \$2.5 million as a result of transferring unrestricted net assets to the General Fund of \$25.5 million, which offset earnings of approximately \$23.0 million.

Other factors concerning the finances of the three major sewage funds have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

During the year there was a \$59.9 million increase in appropriations between the original and final amended budget. Following are the main components of those increases:

- Implementation of new state grant program, Adult Benefit Waiver, \$36.6 million, for indigent health care;
- Transfer of supplemental appropriation, \$13.5 million, to the Juvenile Justice and Abuse/Neglect Fund to offset increased costs for the juvenile abuse and neglect program; and
- Supplemental appropriation to offset health care cost increases, \$6.4 million.

## Capital Asset and Debt Administration

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounted to \$1.8 billion, net of accumulated depreciation of \$1.3 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. The total decrease in the County's gross investment in capital assets for the current fiscal year was 2.2 percent (a 1.8 percent decrease for governmental activities and a 3.5 percent decrease for business-type activities).

Major capital asset additions for governmental activities, \$37.9 million, during the current fiscal year included the following:

- Numerous road construction projects, including widening and expansion projects for existing roads and bridges; construction work in progress as of the end of the current fiscal year amounted to \$24.5 million;
- Acquisition of 31 heavy duty dump trucks, two front end loaders and related accessories, \$5.1 million; for roads related projects;
- Renovation of the Wayne County Building tower and roof, \$2.2 million;
- Renovation of the Taylor Health Clinic, \$1.2 million;
- Acquisition of various other machinery and equipment, \$3.6 million;

Major acquisitions for business-type activities, \$1.5 million, included various building and system additions and landscaping improvements for the Wyandotte Wastewater Plant; construction in progress as of the close of the fiscal year was \$0.9 million.

### Charter County of Wayne, Michigan Capital Assets, Net - Government-wide Financial Statements As of September 30 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land and improvements	\$ 554,735	\$ 551,136	\$ 5,322	\$ 4,901	\$ 560,057	\$ 556,037
Buildings and improvements	161,057	169,888	78,068	82,549	239,125	252,437
Machinery, equipment and vehicles	24,465	27,192	326	158	24,791	27,350
Infrastructure	560,997	582,954	370,522	384,107	931,519	967,061
Construction in progress	26,683	21,806	1,021	155	27,704	21,961
Total	<u>\$1,327,937</u>	<u>1,352,976</u>	<u>\$ 455,259</u>	<u>471,870</u>	<u>\$ 1,783,196</u>	<u>1,824,846</u>

Additional information on the County's capital assets can be found in Note 8 on pages II-58 thru II-66 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$563.8 million. Of this amount, \$420.5 million comprised debt backed by the full faith and credit of the County. The remainder of the County's debt, \$143.2 million represented bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Outstanding Bonded Debt as of September 30**  
(in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds						
(backed by the County):	\$ 190,023	208,655	238,787	253,605	\$ 428,810	462,260
Deferred loss on refunding	(2,709)	-	(2,068)	(2,255)	(4,777)	(2,255)
Bond discount	(3,460)	(3,923)	-	-	(3,460)	(3,923)
Total general obligation bonds, net of bond discount and loss on refunding	<u>183,854</u>	<u>204,732</u>	<u>236,719</u>	<u>251,350</u>	<u>420,573</u>	<u>456,082</u>
Revenue bonds and notes						
(backed by specific tax and fee revenues)	138,294	88,366	5,095	5,535	143,389	93,901
Deferred loss on refunding	-	-	(143)	(157)	(143)	(157)
Total revenue bonds, net of loss on refunding	<u>138,294</u>	<u>88,366</u>	<u>4,952</u>	<u>5,378</u>	<u>143,246</u>	<u>93,744</u>
Total bonds and notes payable, net of bond discounts and loss on refundings	<u>\$ 322,148</u>	<u>293,098</u>	<u>241,671</u>	<u>256,728</u>	<u>\$ 563,819</u>	<u>549,826</u>

The County's total bonded debt increased by a net \$13.9 million (2.5 percent) during the current fiscal year. Debt for governmental activities increased by \$29.0 million, primarily due to the issuance of limited tax (general obligation notes) amounting to \$133.5 million. Delinquent tax notes are issued and repaid annually to finance the purchase of delinquent taxes receivable. Repayment of prior year delinquent tax notes and other bond obligations totaled \$101.5 million. Debt for business-type activities decreased by \$15.1 million, as a result of \$0.2 million in new issuances of general obligation debt and debt payments of \$15.3 million.

The County maintains a "A" rating from Standard & Poor's and a "A3" rating from Moody's Investors Service for uninsured debt issues.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is approximately \$5.7 billion, which is significantly in excess of the County's outstanding general obligation debt, \$420.5 million.

Additional information on the County's long-term debt can be found in Note 11 on pages II-75 thru II-100 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The County's 2004 Equalization Report indicates that the total State Equalized Valuation for the County rose to \$60.2 billion, an increase of 5.9 percent, over the prior year. Additionally, the total taxable valuation of the County, which serves as the basis for current and future tax levies, amounted to \$45.9 billion, an increase of 6.0 percent over the previous year.
- The County projects balanced operations for the General Fund for the next fiscal year.
- The average annual unemployment rate for the County according to the Michigan Department of Labor and Economic Growth at September 30, 2004 increased to 8.6 percent, compared to the prior year rate of 7.2 percent, surpassing the national average annual rate of 5.7 percent. The unemployment rate dropped to 7.8 percent as of September 2005.
- Michigan's per capita personal income growth continued to be among the lowest in the nation with year-over-year growth of 3.3 percent at second quarter 2005, compared to 5.5 percent for the nation.
- The consumer price index showed modest increases for 2004, as measured by the growth rate of the Detroit CPI, increasing from 1.6 percent in 2004 to 2.8 percent in 2005.

## **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter County of Wayne, Michigan, Department of Management and Budget, Accounting Division, 600 Randolph Street, Detroit, Michigan 48226.



CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Net Assets  
As of September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<u>Assets</u>				
Current assets:				
Equity in pooled cash and investments (Note 4)	\$ 179,155,140	20,213,681	\$ 199,368,821	\$ 19,457,413
Other cash and investments (Note 4)	267,884	41,000	308,884	69,056,222
Due from fiduciary funds (Note 10)	16,586	-	16,586	-
Due from component units (Note 10)	35,840,445	93,296	35,933,741	-
Due from primary government (Note 10)	-	-	-	-
Internal balances	260,169	(260,169)	-	415,546
Receivables:				
Delinquent property taxes	109,989,245	-	109,989,245	-
Accounts	60,370,107	2,309,035	62,679,142	21,331,565
Special assessments	-	-	-	24,610,780
Due from other governmental units (Note 10)	122,953,597	18,978,343	141,931,940	27,601,110
Less allowance for uncollectible accounts	(44,400,577)	(93,045)	(44,493,622)	(2,237,823)
Supplies inventory	9,172,535	50,561	9,223,096	-
Prepayments and deposits	2,940,664	34,460	2,975,124	314,220
Restricted assets:				
Equity in pooled cash and investments (Notes 4 and 5)	-	28,680,286	28,680,286	252,109
Other cash and investments (Notes 4 and 5)	-	1,479,543	1,479,543	400,634,479
Accounts receivable (Note 5)	-	16,439,780	16,439,780	11,931,945
Total current assets	<u>476,565,795</u>	<u>87,966,771</u>	<u>564,532,566</u>	<u>573,367,566</u>
Non-current assets:				
Restricted assets:				
Other cash and investments (Notes 4 and 5)	-	-	-	83,129,640
Bond principal due from municipalities (Note 5)	-	220,771,636	220,771,636	-
Capital assets (Note 8)				
Non-depreciable	576,718,927	6,330,485	583,049,412	308,093,038
Depreciable, net	751,218,707	448,928,445	1,200,147,152	2,531,163,505
Bond issuance costs, net of amortization	2,826,679	-	2,826,679	27,802,249
Long-term receivables (Note 7)	28,485,007	-	28,485,007	1,659,432
Other assets	-	430,383	430,383	1,279,940
Total non-current assets	<u>1,359,249,320</u>	<u>676,460,949</u>	<u>2,035,710,269</u>	<u>2,953,127,804</u>
Total assets	<u>\$ 1,835,815,115</u>	<u>764,427,720</u>	<u>\$ 2,600,242,835</u>	<u>\$ 3,526,495,370</u>

See accompanying notes to the basic financial statements.

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Net Assets, Continued  
As of September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<u>Liabilities</u>				
Current liabilities:				
Accounts and contracts payable	\$ 109,612,861	13,382,464	\$ 122,995,325	\$ 27,505,315
Accrued wages and benefits	14,715,642	216,795	14,932,437	5,142,313
Due to fiduciary funds (Note 10)	24,525	18,453	42,978	1,637
Due to component units (Note 10)	415,546	-	415,546	-
Due to primary government (Note 10)	-	-	-	35,933,740
Due to other governmental units (Note 10)	21,784,400	37,277	21,821,677	2,994,528
Current portion of long-term obligations (Note 11)	96,714,668	-	96,714,668	7,678,119
Accrued interest	9,768,970	-	9,768,970	-
Other liabilities	30,958,466	1,220,654	32,179,120	24,370,057
Unearned revenue	128,700	-	128,700	1,595,078
Payable from restricted assets:				
Accounts payable	-	9,447,420	9,447,420	-
Current portion of long-term obligations (Note 11)	-	15,355,110	15,355,110	37,708,972
Accrued interest	-	1,382,678	1,382,678	24,612,036
Unearned revenue	-	410,281	410,281	6,279,480
Other restricted liabilities	-	11,143,626	11,143,626	-
Total current liabilities	284,123,778	52,614,758	336,738,536	173,821,275
Non-current liabilities:				
Non-current portion of long-term obligations (Note 11)	338,402,191	-	338,402,191	1,970,160,845
Other liabilities	26,760,933	-	26,760,933	-
Payable from restricted assets:				
Bonds payable from restricted assets (Note 11)	-	226,315,744	226,315,744	-
Total non-current liabilities	365,163,124	226,315,744	591,478,868	1,970,160,845
Total liabilities	649,286,902	278,930,502	928,217,404	2,143,982,120
<u>Net Assets</u>				
Invested in capital assets, net of related debt	1,197,506,095	213,588,076	1,411,094,171	373,820,468
Restricted net assets:				
Bond programs	32,223,184	8,860,494	41,083,678	169,498,865
Delinquent tax administration	24,102,721	-	24,102,721	-
Road construction	8,934,303	-	8,934,303	-
Capital projects	10,619,350	-	10,619,350	75,050,346
Capital improvements - parks	13,403,610	-	13,403,610	-
Drug enforcement	-	-	-	2,138,679
Airport operations	-	-	-	26,814,266
Unrestricted net assets	(100,261,050)	263,048,648	162,787,598	735,190,626
Total net assets	1,186,528,213	485,497,218	1,672,025,431	1,382,513,250
Total liabilities and net assets	\$ 1,835,815,115	764,427,720	\$ 2,600,242,835	\$ 3,526,495,370

See accompanying notes to the basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Activities  
For the Year Ended September 30, 2004

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
Primary government:					
Governmental activities:					
Legislative	\$ 10,177,044	-	-	-	\$ (10,177,044)
Judicial	96,132,126	-	22,880,526	-	(73,251,600)
General government	153,568,662	98,694,975	8,204,448	-	(46,669,239)
Public safety	155,073,064	21,876,293	18,080,224	-	(115,116,547)
Public works	1,405,283	165,596	-	-	(1,239,687)
Highways, streets and bridges	155,501,853	2,515,692	104,636,028	18,963,218	(29,386,915)
Health and welfare	898,801,705	28,000,366	711,573,673	-	(159,227,666)
Recreation and cultural	21,381,501	5,024,490	1,108,247	-	(15,248,764)
Non-departmental	68,457,086	3,016,276	-	-	(65,440,810)
Interest on long-term debt	21,852,165	-	-	-	(21,852,165)
Total governmental activities	1,582,350,489	159,293,688	866,483,146	18,963,218	(537,610,437)
Business-type activities:					
Sewage Disposal Systems	94,528,542	68,028,486	9,282,238	1,508,266	(15,709,552)
Jail Commissary	1,617,312	1,218,282	-	-	(399,030)
Parking Lots	219,255	314,121	-	-	94,866
Wetlands Mitigation	3,412	2,501	4,670	-	3,759
Total business-type activities	96,368,521	69,563,390	9,286,908	1,508,266	(16,009,957)
Total primary government	\$ 1,678,719,010	228,857,078	875,770,054	20,471,484	\$ (553,620,394)
Component units:					
Airport Authority	\$ 385,824,131	311,692,552	10,065,228	60,334,091	\$ (3,732,260)
Circuit Court	128,694,979	5,790,371	115,928,546	-	(6,976,062)
Probate Court	10,921,371	786,409	11,005,702	-	870,740
Stadium Authority	38,212,538	6,548,563	-	223,569	(31,440,406)
Drainage Districts	9,164,471	6,036,163	1,334,326	26,293,460	24,499,478
Economic Development Corporation	464,484	-	-	-	(464,484)
Brownfield Authority	61,639	-	453,269	-	391,630
HealthChoice of Michigan	13,093,802	12,786,460	-	-	(307,342)
Total component units	\$ 586,437,415	343,640,518	138,787,071	86,851,120	\$ (17,158,706)

See accompanying notes to the basic financial statements.

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Activities, Continued  
For the Year Ended September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net expense from previous page	\$ (537,610,437)	(16,009,957)	\$ (553,620,394)	\$ (17,158,706)
General revenues:				
Property taxes, levied for general purposes	382,482,152	-	382,482,152	-
Investment earnings	21,817,258	101,467	21,918,725	715,289
State sales tax	31,687,048	-	31,687,048	-
Airport parking taxes	7,227,758	-	7,227,758	-
Other revenue	28,319,339	-	28,319,339	1,088,740
Amortization of bond issuance costs	-	-	-	(1,857,822)
Transfers in (out)	(45,344)	45,344	-	-
Total general revenues and transfers	471,488,211	146,811	471,635,022	(53,793)
Change in net assets	(66,122,226)	(15,863,146)	(81,985,372)	(17,212,499)
Net assets at October 1, 2003	1,252,650,439	501,360,364	1,754,010,803	1,399,725,749
Net assets at September 30, 2004	<u>\$ 1,186,528,213</u>	<u>485,497,218</u>	<u>\$ 1,672,025,431</u>	<u>\$ 1,382,513,250</u>

See accompanying notes to the basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN

Balance Sheet

Governmental Funds

As of September 30, 2004

	General Fund	Roads	Mental Health
<u>Assets</u>			
Equity in pooled cash and investments (Note 4)	\$ 27,095,025	12,539,117	24,804,379
Other cash and investments (Note 4)	203,951	2,475	12,350
Due from other funds (Note 10)	63,109,733	21,739	51,156,189
Due from component units (Note 10)	34,108,473	964,916	579,582
Receivables:			
Delinquent property taxes	4,877,908	-	-
Accounts	959,154	5,316,458	47,551,823
Due from other governmental units (Note 10)	31,935,424	27,332,296	4,534,406
Less allowance for uncollectible accounts	(912,888)	(6,757,356)	(36,202,463)
Supplies inventory, at cost	1,390,693	7,243,646	-
Prepayments and deposits	643,793	-	-
Total assets	<u>\$ 163,411,266</u>	<u>46,663,291</u>	<u>92,436,266</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and contracts payable	\$ 32,969,448	9,556,212	24,112,137
Due to other funds (Note 10)	91,409,472	-	-
Due to component units (Note 10)	415,126	-	-
Due to other governmental units (Note 10)	1,042,191	12,814,921	7,927,288
Accrued wages and benefits	7,834,741	2,310,349	355,433
Deposits	-	12,264,871	-
Other liabilities	4,639,687	-	-
Deferred revenue	6,000,574	782,635	3,051,105
Total liabilities	<u>144,311,239</u>	<u>37,728,988</u>	<u>35,445,963</u>
Fund balances (deficits):			
Reserved for:			
Supplies inventory	1,390,693	7,243,646	-
Prepayments and deposits	643,793	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
Unreserved, reported in :			
General Fund, undesignated	17,065,541	-	-
Special revenue funds, undesignated	-	1,690,657	19,327,720
Special revenue funds, designated for contingencies (Note 14)	-	-	37,662,583
Total fund balances (deficits)	<u>19,100,027</u>	<u>8,934,303</u>	<u>56,990,303</u>
Total liabilities and fund balances	<u>\$ 163,411,266</u>	<u>46,663,291</u>	<u>92,436,266</u>

See accompanying notes to the basic financial statements.

<u>Health</u>	<u>Juvenile Justice and Abuse/Neglect</u>	<u>Total Major Funds</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
810,828	384,501	65,633,850	67,101,817	\$ 132,735,667
1,170	350	220,296	42,663	262,959
1,326	394	114,289,381	813,832	115,103,213
-	-	35,652,971	165,764	35,818,735
-	-	4,877,908	-	4,877,908
1,672,369	48,431	55,548,235	2,916,700	58,464,935
4,963,779	41,003,712	109,769,617	13,180,192	122,949,809
-	-	(43,872,707)	(527,870)	(44,400,577)
288,435	209,457	9,132,231	40,304	9,172,535
-	-	643,793	-	643,793
<u>7,737,907</u>	<u>41,646,845</u>	<u>351,895,575</u>	<u>83,733,402</u>	<u>\$ 435,628,977</u>

90,227	26,774,588	93,502,612	6,915,114	\$ 100,417,726
6,398,123	30,378,343	128,185,938	20,912,337	149,098,275
-	-	415,126	-	415,126
-	-	21,784,400	-	21,784,400
491,606	629,151	11,621,280	1,412,621	13,033,901
-	-	12,264,871	-	12,264,871
889,838	-	5,529,525	2,033,295	7,562,820
200,015	692,408	10,726,737	952,950	11,679,687
<u>8,069,809</u>	<u>58,474,490</u>	<u>284,030,489</u>	<u>32,226,317</u>	<u>316,256,806</u>

288,435	209,457	9,132,231	40,304	9,172,535
-	-	643,793	-	643,793
-	-	-	32,223,184	32,223,184
-	-	-	10,619,350	10,619,350
-	-	17,065,541	-	17,065,541
(620,337)	(17,037,102)	3,360,938	8,624,247	11,985,185
-	-	37,662,583	-	37,662,583
<u>(331,902)</u>	<u>(16,827,645)</u>	<u>67,865,086</u>	<u>51,507,085</u>	<u>119,372,171</u>
<u>7,737,907</u>	<u>41,646,845</u>	<u>351,895,575</u>	<u>83,733,402</u>	<u>\$ 435,628,977</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
As of September 30, 2004

Total fund balances - total governmental funds		\$ 119,372,171
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	2,375,466,328	
Less accumulated depreciation	<u>(1,084,094,547)</u>	1,291,371,781
Internal service funds are used by management to charge the costs of certain activities, such as personnel, central services, information technology and insurance costs to individual funds. The assets and liabilities of certain internal service funds are recorded as governmental activities on the Statement of Net Assets.		
		27,930,229
Certain internal service fund balances relate to amounts due from governmental funds. These amounts and the related receivable or payable are eliminated in the Statement of Net Assets for governmental activities.		
		(45,021,762)
Liabilities in the governmental fund statements that are due to internal service funds are eliminated.		
		308,632
The assets and liabilities of the Delinquent Tax Revolving fund, an enterprise fund, are recorded as governmental activities on the Statement of Net Assets.		
		73,873,688
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.		
		11,550,987
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Bond costs	6,360,521	
Less accumulated amortization	<u>(3,533,841)</u>	2,826,680
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds		
Governmental long term debt payable	(194,497,113)	
Discount	3,459,830	
Deferred loss on refunding	2,708,514	
Accrued interest payable	(9,768,970)	
Compensated absences	(29,735,817)	
Claims, litigation and assessments	(20,058,249)	
Other long-term obligations	<u>(47,792,388)</u>	(295,684,193)
Net assets of governmental activities		<u>\$ 1,186,528,213</u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2004**

	<u>General Fund</u>	<u>Roads</u>	<u>Mental Health</u>
<b>Revenues:</b>			
Taxes	\$ 327,988,264	-	-
Licenses and permits	176,609	-	-
Federal grants	3,377,861	570,235	11,920,526
State grants and contracts	107,393,518	98,882,808	498,597,083
Local grants and contracts	9,313,671	6,070,763	199,650
Charges for services	76,793,331	2,515,692	536,707
Interest and rents	-	443,875	748,710
Other	17,389,475	7,556	-
	<u>542,432,729</u>	<u>108,490,929</u>	<u>512,002,676</u>
<b>Expenditures:</b>			
Current operations:			
Legislative	11,369,556	-	-
Judicial	93,160,752	-	-
General government	97,549,372	-	-
Public safety	127,293,067	-	-
Public works	1,405,283	-	-
Highways, streets, and bridges	-	106,791,407	-
Health and welfare	104,586,339	-	500,306,355
Recreational and cultural	-	-	-
Non-departmental	21,664,698	-	-
Capital outlay	227,421	12,922,424	10,572
Debt service	305,444	-	-
	<u>457,561,932</u>	<u>119,713,831</u>	<u>500,316,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,870,797</u>	<u>(11,222,902)</u>	<u>11,685,749</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (Note 10)	34,614,691	492,219	17,831,778
Transfers out (Note 10)	(131,154,351)	(5,926,790)	-
Proceeds from sale of capital assets	8,636	291,809	-
	<u>(96,531,024)</u>	<u>(5,142,762)</u>	<u>17,831,778</u>
Net change in fund balances	(11,660,227)	(16,365,664)	29,517,527
Fund balances (deficits) at October 1, 2003	<u>30,760,254</u>	<u>25,299,967</u>	<u>27,472,776</u>
Fund balances (deficits) at September 30, 2004	<u>\$ 19,100,027</u>	<u>8,934,303</u>	<u>56,990,303</u>

See accompanying notes to the basic financial statements.



Health	Juvenile Justice and Abuse/Neglect	Total Major Funds	Non-major Governmental Funds	Total Governmental Funds
-	-	327,988,264	38,893,048	\$ 366,881,312
-	-	176,609	80,699	257,308
7,137,063	676,718	23,682,403	49,347,420	73,029,823
3,984,166	90,683,572	799,541,147	10,217,659	809,758,806
-	240,078	15,824,162	5,777,013	21,601,175
15,672,179	316,667	95,834,576	23,145,375	118,979,951
-	-	1,192,585	18,625,724	19,818,309
-	-	17,397,031	387,195	17,784,226
<u>26,793,408</u>	<u>91,917,035</u>	<u>1,281,636,777</u>	<u>146,474,133</u>	<u>1,428,110,910</u>
-	-	11,369,556	-	11,369,556
-	-	93,160,752	1,039,484	94,200,236
-	-	97,549,372	20,154,744	117,704,116
-	-	127,293,067	22,196,017	149,489,084
-	-	1,405,283	-	1,405,283
-	-	106,791,407	-	106,791,407
37,056,296	196,885,352	838,834,342	56,404,926	895,239,267
-	-	-	21,937,798	21,937,798
-	-	21,664,698	-	21,664,698
-	-	13,160,417	2,989,477	16,149,894
-	-	305,444	37,583,303	37,888,747
<u>37,056,296</u>	<u>196,885,352</u>	<u>1,311,534,338</u>	<u>162,305,749</u>	<u>1,473,840,086</u>
<u>(10,262,888)</u>	<u>(104,968,317)</u>	<u>(29,897,561)</u>	<u>(15,831,616)</u>	<u>(45,729,176)</u>
10,246,452	98,620,663	161,805,803	14,266,682	176,072,485
-	-	(137,081,141)	(10,899,437)	(147,980,578)
4,104	-	304,549	776,294	1,080,843
<u>10,250,556</u>	<u>98,620,663</u>	<u>25,029,211</u>	<u>4,143,539</u>	<u>29,172,750</u>
(12,332)	(6,347,654)	(4,868,350)	(11,688,077)	(16,556,427)
<u>(319,570)</u>	<u>(10,479,991)</u>	<u>72,733,436</u>	<u>63,195,162</u>	<u>135,928,598</u>
<u>(331,902)</u>	<u>(16,827,645)</u>	<u>67,865,086</u>	<u>51,507,085</u>	<u>\$ 119,372,171</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2004

Net change in fund balances - total governmental funds \$ (16,556,427)

Amounts reported for governmental activities in the Statement of Activities are different because:

The change in net assets of the internal service funds is reported with governmental activities in the Statement of Activities. (2,512,219)

The change in net assets of the Delinquent Tax Revolving fund, an enterprise fund, is reported with governmental activities in the Statement of Activities. (2,534,311)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	16,149,894	
Less current year depreciation	<u>(59,319,025)</u>	(43,169,131)

Transfers of capital assets between internal service funds and governmental funds are not reflected in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. 139,721

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the land sold is removed from the capital assets in the statement of net assets and offset against the sale proceeds resulting in a gain on the sale in the statement of activities. Thus more revenue is reported in the governmental funds. (24,689)

Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. 20,568,615

Revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the funds. 1,076,148

Non-cash capital contributions in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 27,004,340

Change in accrued interest expense	(1,288,743)	
Change in accrued compensated absences	(3,303,560)	
Change in accrued claims, litigation and assessments	3,235,469	
Change in other long-term obligations	(47,792,388)	
Amortization of current year bond discounts	(462,781)	
Amortization of current year deferred loss on refunding	(186,794)	
Amortization of current year bond cost	<u>(315,476)</u>	<u>(50,114,273)</u>

Change in net assets of governmental activities \$ (66,122,226)

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Net Assets  
Proprietary Funds  
As of September 30, 2004

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax Revolving	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Downriver	Rouge Valley	CSO Basins				
<b>Assets</b>							
Current assets:							
Equity in pooled cash and investments (Note 4)	\$ 7,053,400	12,544,066	125,035	26,890,599	491,180	\$ 47,104,280	\$ 19,528,874
Other cash and investments (Note 4)	1,000	-	-	-	40,000	41,000	4,925
Due from other funds (Note 10)	780	5,829,332	819	34,080,256	270	39,911,457	5,352,080
Due from component units (Note 10)	14,448	78,848	-	-	-	93,296	21,710
Receivables:							
Delinquent property taxes	-	-	-	105,111,337	-	105,111,337	-
Accounts	55,470	1,932	634,289	65,763	1,617,344	2,374,798	1,839,409
Due from other governmental units (Note 10)	3,473,331	9,249,525	906,904	-	5,348,583	18,978,343	3,788
Less allowance for uncollectible accounts	(7,694)	(85,351)	-	-	-	(93,045)	-
Supplies inventory, at cost	-	-	-	-	50,561	50,561	-
Prepayments and deposits	24,080	-	-	-	10,380	34,460	2,296,371
Restricted:							
Equity in pooled cash and investments (Notes 4 and 5)	22,433,984	342,593	4,316,343	-	1,587,366	28,680,286	-
Other cash and investments (Note 4)	-	1,479,543	-	-	-	1,479,543	-
Accounts receivable (Note 5)	12,607,425	219,538	3,612,817	-	-	16,439,780	-
Total current assets	45,656,224	29,660,026	9,596,207	166,147,933	9,145,684	260,206,096	29,047,657
Non-current assets:							
Restricted assets:							
Accounts receivable (Note 5)	-	-	-	-	-	-	-
Bond principal due from municipalities (Note 5)	176,821,534	3,736,650	35,261,342	-	4,952,110	220,771,636	-
Capital assets:							
Non-depreciable	3,292,452	1,448,847	-	-	1,589,186	6,330,485	23,678
Depreciable, net	284,040,987	90,393,208	68,596,734	-	5,897,516	448,928,445	36,542,175
Other assets:							
Bond issuance cost, net of amortization	364,652	-	65,731	-	-	430,383	-
Advances to other funds (Note 10)	-	-	-	42,677,543	-	42,677,543	-
Long-term receivables (Note 7)	-	-	-	-	-	-	73,506,764
Total non-current assets	464,519,625	95,578,705	103,923,807	42,677,543	12,438,812	719,138,492	110,072,617
Total assets	\$ 510,175,849	125,238,731	113,520,014	208,825,498	21,584,496	\$ 979,344,588	\$ 139,120,274

(Continued)

Enterprise Funds						Governmental Activities
Sewage Disposal Systems						
Rouge			Delinquent Tax	Non-major	Total	Internal
Downriver	Valley	CSO Basins	Revolving	Enterprise Funds	Enterprise Funds	Service Funds
\$ 1,819,033	8,471,738	33,142	1,399,120	3,058,551	\$ 14,781,584	\$ 7,796,015
216,795	-	-	31,353	-	248,148	1,650,388
4,740,375	-	196,828	-	1,172,620	6,109,823	5,185,044
-	-	-	-	-	-	420
37,277	-	-	-	-	37,277	-
-	-	-	41,000,000	-	41,000,000	-
-	-	-	-	-	-	1,481,988
1,039,519	-	-	21,337	181,135	1,241,991	11,418,067
4,928,915	96,415	4,259,297	-	162,793	9,447,420	-
11,940,910	605,000	2,368,489	-	440,711	15,355,110	-
93,520	316,761	-	-	-	410,281	-
12,526,304	-	-	-	-	12,526,304	-
37,342,648	9,489,914	6,857,756	42,451,810	5,015,810	101,157,938	27,531,922
184,315,884	3,000,000	34,488,461	-	4,511,399	226,315,744	-
-	-	-	-	-	-	42,677,543
-	-	-	-	-	-	26,760,933
-	-	-	92,500,000	-	92,500,000	14,219,647
184,315,884	3,000,000	34,488,461	92,500,000	4,511,399	318,815,744	83,658,123
221,658,532	12,489,914	41,346,217	134,951,810	9,527,209	419,973,682	111,190,045
91,076,645	88,237,055	31,739,734	-	2,534,592	213,588,076	21,184,218
-	-	-	24,102,721	-	24,102,721	-
5,551,760	1,023,498	1,301,374	-	983,862	3,860,494	-
191,888,912	23,488,264	39,132,639	49,770,967	9,538,833	312,819,615	6,746,011
288,517,317	112,748,817	72,173,797	73,873,688	12,057,287	559,370,906	27,930,229
\$ 510,175,849	125,238,731	113,520,014	208,825,498	21,584,496	979,344,588	\$ 139,120,274

Total net assets - enterprise funds	\$ 559,370,906
The Delinquent Tax Revolving Fund primarily serves the general government and therefore is reported as governmental activities in the Statement of Net Assets (Note 1)	(73,873,688)
Net assets of business-type activities	\$ 485,497,218

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2004

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax Revolving	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Downriver	Rouge Valley	CSO Basins				
Operating revenues:							
Sewage disposal charges	\$ 14,539,273	33,630,899	46,367	-	15,127,850	\$ 63,344,389	\$ -
Industrial surcharges	1,458,497	-	-	-	-	1,458,497	-
Other charges for services	1,881,197	58,445	1,285,958	2,467,881	1,534,904	7,228,385	196,470,585
Fines and forfeitures	-	-	-	29,942,973	-	29,942,973	-
Rentals and expense recoveries	-	-	-	-	-	-	3,775,567
Other revenue	-	-	-	-	-	-	17,361
<b>Total operating revenues</b>	<b>17,878,967</b>	<b>33,689,344</b>	<b>1,332,325</b>	<b>32,410,854</b>	<b>16,662,754</b>	<b>101,974,244</b>	<b>200,263,513</b>
Operating expenses:							
Personnel	4,628,720	-	-	637,626	-	5,266,346	28,567,531
Fringe benefits	1,612,338	-	-	213,442	-	1,825,780	11,493,200
Pension	393,457	-	-	53,564	-	447,021	2,730,766
Materials and supplies	1,512,600	41,805	62,429	491,103	949,077	3,057,014	1,497,341
Contractual services	6,162,228	34,328,026	537,239	7,518,148	16,251,905	64,797,546	27,948,082
Travel	19,029	-	-	4,803	-	23,832	429,643
Miscellaneous operating	2,353,650	65,748	105,780	673,116	269,209	3,467,503	118,374,378
Rentals	89,440	69,349	67,375	105,006	209,625	540,795	3,622,173
Other charges	-	-	-	-	37,504	37,504	646,687
Depreciation and amortization	13,172,829	1,936,683	3,522,377	-	383,621	19,015,510	4,971,217
<b>Total operating expenses</b>	<b>29,944,291</b>	<b>36,441,611</b>	<b>4,295,200</b>	<b>9,696,808</b>	<b>18,100,941</b>	<b>98,478,851</b>	<b>200,281,518</b>
<b>Operating income (loss)</b>	<b>(12,065,324)</b>	<b>(2,752,267)</b>	<b>(2,962,875)</b>	<b>22,714,046</b>	<b>(1,438,187)</b>	<b>3,495,393</b>	<b>(18,005)</b>
Non-operating revenues (expenses):							
Investment earnings	141,523	81,262	113,487	946,143	712	1,283,127	1,052,806
Collections from participating local units	6,761,780	230,200	1,882,788	-	152,785	9,027,553	-
Interest expense	(5,263,884)	(222,261)	(1,932,269)	(700,957)	(168,064)	(8,287,435)	(774,354)
Federal grants	13,110	-	6,058	-	4,670	23,838	10,763
<b>Total non-operating revenues (expenses)</b>	<b>1,652,529</b>	<b>89,201</b>	<b>70,064</b>	<b>245,186</b>	<b>(9,397)</b>	<b>2,047,083</b>	<b>289,215</b>
<b>Net income (loss) before capital contributions and transfers</b>	<b>(10,412,795)</b>	<b>(2,663,066)</b>	<b>(2,892,811)</b>	<b>22,959,232</b>	<b>(1,448,084)</b>	<b>5,542,476</b>	<b>271,210</b>
Capital contributions	72,585	444,189	991,492	-	-	1,508,266	-
Transfer of capital assets	-	-	-	-	-	-	(139,721)
Transfers in	45,344	-	-	6,457	-	51,801	66,574
Transfers out	-	-	-	(25,500,000)	-	(25,500,000)	(2,710,282)
<b>Change in net assets</b>	<b>(10,294,866)</b>	<b>(2,218,877)</b>	<b>(1,901,319)</b>	<b>(2,534,311)</b>	<b>(1,448,084)</b>	<b>(18,397,457)</b>	<b>(2,512,219)</b>
<b>Net assets at October 1, 2003</b>	<b>298,812,183</b>	<b>114,967,694</b>	<b>74,075,116</b>	<b>76,407,999</b>	<b>13,505,371</b>	<b>577,768,363</b>	<b>30,442,448</b>
<b>Net assets at September 30, 2004</b>	<b>\$ 288,517,317</b>	<b>112,748,817</b>	<b>72,173,797</b>	<b>73,873,688</b>	<b>12,057,287</b>	<b>\$ 559,370,906</b>	<b>\$ 27,930,229</b>

**Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets to Statement of Activities of Business-type Activities**

Net change in net assets - enterprise funds \$ (18,397,457)

The Delinquent Tax Revolving Fund primarily serves the general government and therefore is reported as governmental activities in the Statement of Net Assets (Note 1).

2,534,311

Change in net assets of business-type activities

\$ (15,863,146)

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2004

	Enterprise Funds						Governmental Activities
	Sewage Disposal Systems			Delinquent Tax Revolving	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Downriver	Rouge Valley	CSO Basins				
Cash flows from operating activities:							
Receipts from customers	\$ 13,600,775	33,915,439	4,653,186	(13,415,112)	16,628,323	\$ 55,382,611	\$ 199,849,896
Payments to suppliers	(5,376,708)	(33,180,036)	(5,487,114)	(7,651,432)	(18,053,097)	(69,748,387)	(152,497,340)
Payments to employees	(6,612,094)	-	-	(896,996)	-	(7,509,090)	(47,457,034)
Internal activity - receipts from other funds	161,791	(4,934,156)	(819)	-	332,509	(4,440,675)	-
Internal activity - payments to other funds	4,644,983	(211,342)	(7,603)	(29,082,882)	(55,335)	(24,712,179)	(3,548,074)
Internal activity - receipts from component units	(8,022)	(78,848)	-	-	-	(86,870)	2,775,554
Net cash provided by (used in) operating activities	6,410,725	(4,488,943)	(842,350)	(51,046,422)	(1,147,600)	(51,114,590)	(876,998)
Cash flows from non-capital financing activities:							
Long-term receivable	-	-	-	(994,416)	-	(994,416)	5,691,261
Advances to other funds	-	-	-	(25,500,000)	-	(25,500,000)	(3,095,990)
Transfers to other funds	45,344	-	-	6,457	-	51,801	(2,643,708)
Collections from participating local units	6,761,780	230,200	1,882,788	-	152,785	9,027,553	-
Federal grants	13,110	-	6,058	-	4,670	23,838	10,763
Net cash provided by (used in) non-capital financing activities	6,820,234	230,200	1,888,846	(26,487,959)	157,455	(17,391,224)	(37,674)
Cash flows from capital and related financing activities:							
Repayment of long-term debt	(11,666,124)	(755,000)	(2,400,000)	(82,800,000)	(440,000)	(98,061,124)	(1,559,242)
Proceeds from issuance of long term debt	-	-	-	133,500,000	-	133,500,000	-
Bond principal received from municipalities	7,723,866	694,572	1,915,167	-	425,711	10,759,316	-
Contribution of capital	72,585	444,189	991,492	-	-	1,508,266	-
Acquisition of capital assets	(1,509,506)	(372,187)	(26,486)	-	(495,408)	(2,403,587)	(757,485)
Disposition of capital assets	-	-	-	-	-	-	1,165,207
Interest paid	(5,195,459)	(221,011)	(1,751,129)	(700,957)	(152,785)	(8,021,341)	(774,354)
Net cash provided by (used in) capital and related financing activities	(10,574,638)	(209,437)	(1,270,956)	49,999,043	(662,482)	37,281,530	(1,925,874)
Cash flows from investing activities:							
Investment earnings	141,523	81,262	113,487	946,143	712	1,283,127	1,052,806
Net cash provided by investing activities	141,523	81,262	113,487	946,143	712	1,283,127	1,052,806
Net increase (decrease) in cash and cash equivalents	2,797,844	(4,386,918)	(110,973)	(26,589,195)	(1,651,915)	(29,941,157)	(1,787,740)
Cash and cash equivalents at October 1, 2003	26,690,540	18,753,120	4,552,351	53,479,794	3,770,461	107,246,266	21,321,539
Cash and cash equivalents at September 30, 2004	\$ 29,488,384	14,366,202	4,441,378	26,890,599	2,118,546	\$ 77,305,109	\$ 19,533,799
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (12,065,324)	(2,752,267)	(2,962,875)	22,714,046	(1,438,187)	\$ 3,495,393	\$ (18,005)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	13,172,829	1,936,683	3,522,377	-	383,621	19,015,510	4,971,217
Decreases (increases) in current assets:							
Delinquent property taxes receivable	-	-	-	(45,760,203)	-	(45,760,203)	-
Accounts receivable	(5,750,211)	441,174	748,129	(65,763)	177,595	(4,449,076)	(427,748)
Due from other funds	161,791	(4,934,156)	(819)	(29,071,746)	(270)	(33,845,200)	11,483,785
Due from other governmental units	2,348,094	(29,996)	2,572,732	-	(212,026)	4,678,804	14,131
Due from component units	(8,022)	(78,848)	-	-	-	(86,870)	3,058,697
Other assets	1,036	-	-	-	(16,545)	(15,509)	(2,119,269)
Increases (decreases) in current liabilities:							
Accounts and contracts payable	(156,922)	1,324,892	(520,461)	1,395,677	(305,385)	1,737,801	(1,492,286)
Accrued wages and benefits	22,421	-	-	7,636	-	30,057	317,817
Due to other funds	4,663,596	-	(7,603)	(9,382)	277,444	4,924,055	(14,944,492)
Due to fiduciary funds	(18,613)	(211,342)	-	(1,754)	-	(231,709)	(87,367)
Due to component units	-	-	-	-	-	-	(283,143)
Other liabilities	4,916,124	-	(4,193,830)	(254,933)	(13,847)	453,514	(1,350,335)
Deferred revenue	(876,074)	(185,083)	-	-	-	(1,061,157)	-
Net cash provided by (used in) operating activities	\$ 6,410,725	(4,488,943)	(842,350)	(51,046,422)	(1,147,600)	\$ (51,114,590)	\$ (876,998)
Cash and cash equivalents at September 30, 2004 consists of the following:							
Equity in pooled cash and investments	\$ 7,053,400	12,544,066	125,035	26,890,599	491,180	\$ 47,104,280	\$ 19,528,874
Other cash and investments	1,000	-	-	-	40,000	41,000	4,925
Restricted assets:							
Equity in pooled cash and investments	22,433,984	342,593	4,316,343	-	1,587,366	28,680,286	-
Other cash and investments	-	1,479,543	-	-	-	1,479,543	-
Total cash and investments	\$ 29,488,384	14,366,202	4,441,378	26,890,599	2,118,546	\$ 77,305,109	\$ 19,533,799

See accompanying notes to the basic financial statements

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
As of September 30, 2004

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
<u>Assets</u>		
Equity in pooled cash and investments (Note 4)	\$ 7,500,907	\$ 130,483,337
Other cash and investments (Note 4)	-	17,410,263
Due from other funds (Note 10)	-	1,603,926
Due from component units (Note 10)	-	1,637
Accounts receivable	3,224,053	9,034,161
Accrued interest receivable	3,151,856	-
Retirement investments (Note 4):		
Money market pooled funds	134,070,162	-
U. S. government obligations	26,484,990	-
Registered investment companies	201,934,087	-
Corporate bonds	83,511,551	-
Common stock	528,924,339	-
Mortgages	55,105,516	-
Mortgage-backed pass-through certificates	70,788,027	-
Investments in partnerships	134,506,869	-
Foreign bonds	37,589	-
Participant loans receivable	25,439,841	-
Total retirement investments	1,260,802,971	-
Prepayments and deposits	123,591	-
Depreciable capital assets, net (Note 8)	228,071	-
Total assets	<u>\$ 1,275,031,449</u>	<u>\$ 158,533,324</u>
<u>Liabilities</u>		
Accounts and contracts payable	\$ 406,084	\$ 2,383,954
Due to other funds (Note 10)	20,920	1,556,614
Due to component units	-	-
Due to other governmental units (Note 10)	-	2,392,889
Accrued wages and benefits	62,210	2,834,980
Due to broker for securities purchased	4,968,506	-
Undistributed taxes	-	127,141,339
Retainage	-	11,180,225
Other liabilities	-	11,043,323
Total liabilities	<u>\$ 5,457,720</u>	<u>\$ 158,533,324</u>
<u>Net Assets</u>		
Net assets held in trust for pension benefits	<u>\$ 1,269,573,729</u>	

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended September 30, 2004

	<u>Pension (and Other Employee Benefit) Trust Funds</u>
<u>Additions</u>	
Investment income:	
Net appreciation to fair market value	\$ 71,653,970
Interest and dividends	41,027,732
Other investment income	1,382,580
Investment expenses	<u>(3,112,076)</u>
Net investment income	<u>110,952,206</u>
Retirement contributions:	
Employer	32,678,478
Employee	<u>9,864,114</u>
Total retirement contributions	<u>42,542,592</u>
Total additions	<u>153,494,798</u>
<u>Deductions</u>	
Administrative expenses:	
Personnel	1,243,563
Fringe benefits	505,702
Pension	121,614
Materials and supplies	102,713
Contractual services	847,400
Travel	55,042
Rentals	227,895
Depreciation and amortization	81,480
Other charges	<u>19,541</u>
Total administrative expenses	3,204,950
Participant benefits - retirement benefits	<u>118,247,272</u>
Total deductions	<u>121,452,222</u>
Change in net assets	32,042,576
Net assets at October 1, 2003	<u>1,237,531,153</u>
Net assets at September 30, 2004 (Note 12)	<u><u>\$ 1,269,573,729</u></u>

See accompanying notes to the basic financial statements.



CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Net Assets  
Component Units  
As of September 30, 2004

<u>Assets</u>	<u>Airport Authority</u>	<u>Circuit Court</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
Current assets:				
Equity in pooled cash and investments (Note 4)	\$ -	1,071,194	18,386,219	\$ 19,457,413
Other cash and investments (Note 4)	66,513,091	6,000	2,537,131	69,056,222
Due from primary government (Note 10)	-	415,126	420	415,546
Receivables:				
Accounts receivable	16,986,504	2,429,580	1,915,481	21,331,565
Special assessments	-	-	24,610,780	24,610,780
Due from other governmental units (Note 10)	13,876,493	12,138,262	1,586,355	27,601,110
Less allowance for uncollectible accounts	(1,958,000)	-	(279,823)	(2,237,823)
Prepayments and deposits	-	974	313,246	314,220
Restricted assets (Note 5):				
Equity in pooled cash and investments (Note 4)	-	-	252,109	252,109
Other cash and investments (Note 4)	400,634,479	-	-	400,634,479
Accounts receivable	11,931,945	-	-	11,931,945
Total current assets	<u>507,984,512</u>	<u>16,061,136</u>	<u>49,321,918</u>	<u>573,367,566</u>
Non-current assets:				
Restricted other cash and investments	83,129,640	-	-	83,129,640
Capital assets (Note 8):				
Nondepreciable	221,613,950	4,007,639	32,471,449	308,093,038
Depreciable, net	1,375,881,729	1,365,538	653,916,238	2,531,163,505
Other assets:				
Bond issuance costs, net of amortization	27,802,249	-	-	27,802,249
Accounts receivable	1,659,432	-	-	1,659,432
Prepaid expenses	1,279,940	-	-	1,279,940
Total non-current assets	<u>2,211,366,940</u>	<u>5,373,177</u>	<u>736,387,687</u>	<u>2,953,127,804</u>
Total assets	<u>\$ 2,719,351,452</u>	<u>21,434,313</u>	<u>785,709,605</u>	<u>\$ 3,526,495,370</u>

(Continued)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Net Assets, Continued  
Component Units  
As of September 30, 2004

<u>Liabilities and Net Assets</u>	<u>Airport Authority</u>	<u>Circuit Court</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
<b>Current liabilities:</b>				
Accounts and contracts payable	\$ 23,698,378	1,463,665	2,343,272	\$ 27,505,315
Accrued wages and benefits	3,099,165	1,691,125	352,023	5,142,313
Due to primary government (Note 10)	1,178,143	34,531,888	225,346	35,935,377
Due to other governmental units (Note 10)	50,075	2,840,320	104,133	2,994,528
Current portion of long-term obligations (Note 11)	-	3,254,500	4,423,619	7,678,119
Unearned revenue	948,045	45,580	601,453	1,595,078
Other liabilities	22,641,083	833,019	895,955	24,370,057
<b>Payable from restricted assets:</b>				
Current portion of long-term obligations (Note 11)	37,708,972	-	-	37,708,972
Accrued interest	24,612,036	-	-	24,612,036
Unearned	6,279,480	-	-	6,279,480
<b>Total current liabilities</b>	<u>120,215,377</u>	<u>44,660,097</u>	<u>8,945,801</u>	<u>173,821,275</u>
<b>Non-current liabilities</b>				
Non-current portion of long-term obligations (Note 11)	<u>1,868,227,559</u>	<u>916,848</u>	<u>101,016,438</u>	<u>1,970,160,845</u>
<b>Total non-current liabilities</b>	<u>1,868,227,559</u>	<u>916,848</u>	<u>101,016,438</u>	<u>1,970,160,845</u>
<b>Total liabilities</b>	<u>1,988,442,936</u>	<u>45,576,945</u>	<u>109,962,239</u>	<u>2,143,982,120</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	369,007,593	4,456,329	356,546	373,820,468
<b>Restricted net assets:</b>				
Bond programs	169,498,865	-	-	169,498,865
Capital projects	74,727,476	-	322,870	75,050,346
Drug enforcement	2,138,679	-	-	2,138,679
Airport operations	26,814,266	-	-	26,814,266
<b>Unrestricted net assets</b>	<u>88,721,637</u>	<u>(28,598,961)</u>	<u>675,067,950</u>	<u>735,190,626</u>
<b>Total net assets</b>	<u>730,908,516</u>	<u>(24,142,632)</u>	<u>675,747,366</u>	<u>1,382,513,250</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,719,351,452</u>	<u>21,434,313</u>	<u>785,709,605</u>	<u>\$ 3,526,495,370</u>

See accompanying notes to the basic financial statements.

(Concluded)

CHARTER COUNTY OF WAYNE, MICHIGAN  
Statement of Activities  
Component Units  
For the Year Ended September 30, 2004

	Airport Authority	Circuit Court	Non-major Component Units	Total Component Units
Expenses	\$ 385,824,131	128,694,979	71,918,305	\$ 586,437,415
Program revenues:				
Charges for services	311,692,552	5,790,371	26,157,595	343,640,518
Operating grants and contributions	10,065,228	115,928,546	12,793,297	138,787,071
Capital grants and contributions	60,334,091	-	26,517,029	86,851,120
Total program revenues	382,091,871	121,718,917	65,467,921	569,278,709
Net expense	(3,732,260)	(6,976,062)	(6,450,384)	(17,158,706)
General revenues:				
Investment earnings (loss)	631,799	(97,174)	180,664	715,289
Other revenue	-	450,072	638,668	1,088,740
Amortization of bond issuance costs	(1,857,822)	-	-	(1,857,822)
Total general revenues	(1,226,023)	352,898	819,332	(53,793)
Change in net assets	(4,958,283)	(6,623,164)	(5,631,052)	(17,212,499)
Net assets at October 1, 2003	735,866,799	(17,519,468)	681,378,418	1,399,725,749
Net assets at September 30, 2004	\$ 730,908,516	(24,142,632)	675,747,366	\$ 1,382,513,250

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the year ended September 30, 2004

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CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Charter County of Wayne, Michigan (County), was incorporated in 1796 and covers an area of approximately 623 square miles. The County provides services to more than 2 million residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services. The citizens of the County operate under a Home Rule Charter that provides for government by a legislative branch, which is comprised of the 15 elected commissioners, and an executive branch, which is headed by an elected chief executive officer (County Executive). The County Executive is the County's chief administrator and manages the County's eleven executive departments, including Children and Family Services, Corporation Counsel, Environment, Health and Human Services, Homeland Security/Emergency Management, Jobs and Economic Development, Management and Budget, Personnel/Human Resources, Public Services, Senior Citizens and Veterans Affairs, and Technology. In addition, the primary government includes other elected officials including the County Clerk, Prosecuting Attorney, Register of Deeds, Sheriff, and the Treasurer. The component units and other entities discussed below have been included as part of the reporting entity because of the significance of their operational or financial relationship to the County.

*The Wayne County Employees' Retirement System (Retirement System)*, which is governed by the Wayne County Retirement Ordinance, is included as part of the County's fiduciary operations. The Retirement Commission oversees the ongoing operations of the Retirement System in accordance with the Retirement Ordinance.

*The Detroit-Wayne Joint Building Authority (Joint Authority)* is a joint venture arrangement between the City of Detroit (City) and the County. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the Coleman A. Young Municipal Center (CAYMC) was transferred to the City, thereby eliminating the County's equity interest. In addition, the Joint Authority also approved an amendment to its lease with the County in connection with proposed renovations to space occupied by the County. The amendment extended the County's lease term to September 2026, identified the Joint Authority's intention to renovate the facilities, and committed the County for the repayment of the debt used to finance the renovations. In 1988, the Joint Authority issued bonds, the proceeds of which were used to renovate the CAYMC for use by the County courts. These bonds are backed by the full faith and credit of the County. Rentals are paid to the Joint Authority by the County's General Fund to cover the Joint Authority's principal and interest payments on debt. The County's obligation to the Joint Authority, which conforms to the Joint Authority's calendar year, is included in the financial statements of the primary government.

**Component Units**

The financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

**Blended Component Units** - Blended component units are legally separate entities from the County, but are, in substance, part of the County's operations and so data from these units are combined with data of the primary government.

*The Wayne County Building Authority (WCBA)* was established to acquire, furnish, equip, own, improve, enlarge, operate and/or maintain buildings and building sites for lease to, and eventual

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(1) **Summary of Significant Accounting Policies, Continued**

ownership by the County. It is managed by a five-member board appointed by the County Executive, subject to approval by the Wayne County Commissioners. The County has pledged certain revenues, including a specific portion of its general property tax revenues, to secure the payment of certain outstanding obligations of the County and the WCBA. The pledge of such a specific portion of its general property tax revenues is superior to the County's pledge of its limited tax full faith and credit for cash rentals under a contract. The WCBA has no taxing authority. The WCBA is presented as a non-major governmental fund.

Discretely Presented Component Units - Discretely presented component units are entities that are legally separate from the County but for which the County is financially accountable, or their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County.

*The Wayne County Airport Authority (Airport Authority)* was established on August 9, 2002 under Public Act 90 of 2002 to control and operate the Detroit Metropolitan Wayne County Airport, the Willow Run Airport (the Airports) and the Airport Hotel.

The Airport Authority is an independent public benefit agency and considered an agency of the County for the purposes of federal and state laws but is not subject to any County charter requirements or the direction or control of either the County Executive or the Wayne County Commission. The Airport Authority is charged with the responsibility to operate and run the activities of the Airports and the Airport Hotel. The financial statements of the Airport Authority include the operations of the Detroit Metropolitan Wayne County Airport, the Willow Run Airport and the Airport Hotel.

The Airport Authority is managed by a seven-member board, with four members appointed by the County Executive, two members appointed by the Governor of the State of Michigan, and one member appointed by the Wayne County Commission. The appointments of the County Executive and the Governor are not subject to confirmation by the State Legislature or the Wayne County Commission.

*The Third Circuit and Probate Courts (Courts)* were established under the Constitution of the State of Michigan and comprise a portion of the judicial branch of the State of Michigan. Although the Courts were not created as a separate body corporate or body corporate and politic, they possess the prerequisite corporate powers and budgetary autonomy to support their inclusion as discretely presented component units. Both Courts are headed by a duly elected chief judge. The Courts preside over judicial proceedings within the County. The Courts are fiscally dependent on the County and have no taxing power. The Court Reorganization Act, 1996 P.A. 388, designated the County as the primary funding unit for Court operations.

There are three separate divisions of Third Circuit Court (Circuit Court): Civil, Criminal, and Family Court. The Civil Division is assigned 25 judges for the resolution of general civil cases initiated within the County, where the amount of the controversy exceeds \$10,000. The Criminal Division is assigned 32 judges and has sole jurisdiction over felonies and high misdemeanors occurring within the County. The Family Court Division is divided into Domestic and Juvenile Sections. The Domestic Section is assigned seven judges and is responsible for hearing all domestic relation cases filed within the County. The Juvenile Section is assigned three judges, along with a

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

staff of referees, and exercises exclusive jurisdiction over juveniles under 17 years of age in delinquency proceedings, and children under 18 years of age in protective proceedings. Each child coming within the jurisdiction of the Family Court is entitled to receive the care, guidance, and control, as will be conducive to the child's welfare and the best interest of the State. The Courts are located in the CAYMC in downtown Detroit.

Probate Court has eight judges who have jurisdiction in all matters related to settlement of estates, trusts and appointment of trustees within the County. In addition, the Court appoints guardians and conservators for minors and other legally incapacitated persons. The Court has jurisdiction over numerous other matters ranging from mental illness, to communicable diseases, to substance abuse and to certain child custody issues.

*The Detroit-Wayne County Stadium Authority (DWCSA)* was incorporated by the County on August 20, 1996 under the provisions of Public Act 31 for the purpose of constructing and maintaining two new sports stadiums, Comerica Park and Ford Field, home of the Detroit Tigers Professional Baseball Team and of the Detroit Lions Professional Football Team, respectively. The DWCSA's Articles of Incorporation provide for a six-member board ("the Commission"). Each member of the Commission is appointed by the County Executive, with three members recommended by the Mayor of the City of Detroit. On April 1, 1997, the DWCSA issued bonds totaling \$85,815,000. The County has pledged its limited tax full faith and credit for payment of the cash rentals to the DWCSA under a contract dated March 1, 1997 to pay debt service. The County has also pledged certain motor vehicle rentals and hotel tax revenues levied by the County pursuant to Act No. 180, Public Acts of Michigan 1991. The DWCSA has no taxing authority.

*Chapters 8, 20 and 21 Drainage Districts* are established under the State of Michigan Drain Code (Public Act 40 of 1956, as amended; the "Drain Code") to provide for the construction, maintenance and funding of drains, sewers, and equipment used in water management and flood control. Each of the individual drainage districts is a separate legal entity, with the power to sue and to be sued, and to hold, manage, and dispose of real and personal property. The full faith and credit of the County is generally given for the long-term debt of the drainage districts. There are approximately 150 drainage districts that are assessed by the County. The drainage districts are grouped and reported as follows:

Chapter 8 Drainage Districts are inter- and intra-County drainage districts that are operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for assessment of the related costs to the specific owners of the benefited parcels of property or to the benefited public corporations. The Wayne County Drain Commissioner (the County's Director of Public Works) is responsible for determining the yearly assessments. Under the Drain Code, the County is responsible for Chapter 8 drainage district administrative costs for maintenance.

Chapter 20 Drainage Districts are intra-County drainage districts that are operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for at-large assessment of costs against either the benefited public corporations or the specific owners of benefited parcels of property. The Chapter 20 Districts have Drainage Boards that are responsible for determining the yearly assessments. Each district's board statutorily consists of three members: the Wayne County Drain Commissioner, the district's County Commissioner, and an appointee of the County Executive. The full faith and credit of the County has been pledged for the long-term debt of the drainage districts.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

Chapter 21 (Milk River) Drainage District is an inter-County drainage district which is operated, maintained, and extended pursuant to the provisions in the Drain Code which allow for assessment of the related costs to either the benefited public corporations or the specific owners of benefited parcels of property. The District has a Drainage Board that is responsible for determining the yearly assessments. The District's drainage board statutorily consists of three members: the Director of Agriculture of the State of Michigan (chairperson), the Wayne County Drain Commissioner, and the Drain Commissioners for each of the counties of the specific drainage district. The County has pledged its full faith and credit for the long-term debt of the districts.

*The Economic Development Corporation of Wayne County (EDC)* is a separate legal entity that was established pursuant to Michigan Public Act 338 of 1974. Its 11-member board is appointed by the County Executive. The EDC acts on behalf of and at the direction of the County. Services include financial packaging, site location services, and low-cost financing to businesses locating or expanding in the County. The EDC's primary fiscal activity is to provide administration of federal grants on behalf of and for the benefit of the County. The EDC is fiscally dependent on the County and has no taxing authority.

*The Brownfield Redevelopment Authority (BRA)* was established by State enabling legislation. The BRA will assist the Wayne County Department of Environment and the various Wayne County communities involved with the Urban Recovery Partnership to facilitate the redevelopment of unproductive, contaminated and/or blighted property by providing tax incentives. The BRA's 11-member board is appointed by the County Executive. The BRA acts on behalf of and at the direction of the County.

*HealthChoice of Michigan (HealthChoice)* was formed by the County under the Municipal Health Corporations Act of 1987. HealthChoice was incorporated January 30, 1992 to manage a health care program benefiting employees of County businesses that are unable to provide health benefits to these employees. The program is funded equally by monthly contributions by employers, employees, and Metro HealthCare Services, Inc., (MHCS) a philanthropic Michigan non-profit corporation. HealthChoice Board members are County elected or County appointed officials.

HealthChoice administers the program in conjunction with MHCS, which administers the transfer of monthly subsidies to HealthChoice; Patient Care Management System, a unit of the County, which provides the personnel to manage the program; and a third-party administrator, which collects subsidies from MHCS and premiums from employers, distributes health care provider payments, and remits any excess premiums to HealthChoice.

The following entities issue audited financial statements: the Detroit-Wayne Joint Building Authority; the Wayne-County Building Authority; the Wayne County Airport Authority; the Detroit-Wayne County Stadium Authority; the Chapter 21 (Milk River) Drainage District, and HealthChoice of Michigan. These reports may be obtained at the entity's administrative offices listed below. Detailed financial information for each of the other individual component units may be obtained from the Wayne County Department of Management and Budget, 600 Randolph, 3<sup>rd</sup> floor.

Each of the following individual component units, the Detroit-Wayne Joint Building Authority, and the Wayne County Building Authority issue audited financial statements. These reports may be obtained at the entity's administrative offices listed below.



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(1) **Summary of Significant Accounting Policies, Continued**

*Detroit-Wayne Joint Building Authority*  
1316 Coleman A. Young Municipal Center  
Two Woodward Avenue  
Detroit, Michigan 48226

*HealthChoice of Michigan*  
640 Temple, Suite 370  
Detroit, Michigan 48201

*Wayne County Building Authority*  
600 Randolph, Third Floor  
Detroit, Michigan 48226

*Detroit-Wayne County Stadium Authority*  
600 Randolph, Suite 300  
Detroit, Michigan 48226

*Chapter 21 (Milk River) Drainage District*  
Wayne County Department of Environment  
415 Clifford, Seventh Floor  
Detroit, Michigan 48226

*Wayne County Airport Authority*  
Detroit Metropolitan Wayne County Airport  
L.C. Smith Terminal-Mezzanine  
Detroit, Michigan 48242

Detailed financial information for each of the other individual component units, listed below, may be obtained from the Wayne County Department of Management and Budget, 600 Randolph, 3<sup>rd</sup> floor.

*Chapters 8 and 20 Drainage District*  
Wayne County Department of Environment  
415 Clifford, Seventh Floor  
Detroit, Michigan 48226

*Economic Development Corporation of Wayne County*  
600 Randolph, Room 323  
Detroit, Michigan 48226

*Circuit Court*  
711 Coleman A. Young Municipal Center  
Two Woodward Avenue  
Detroit, Michigan 48226

*Probate Court*  
1305 Coleman A. Young Municipal Center  
Two Woodward Avenue  
Detroit, Michigan 48226

*Brownfield Redevelopment Authority*  
600 Randolph, Suite 323  
Detroit, Michigan 48226

**Related Organizations**

County officials are also responsible for appointing members of boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. County officials appoint the board members of the Wayne County Council for the Arts, History and Humanities, and Wings Over Wayne.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*Government-Wide Financial Statements*

The County's financial statements include government-wide financial statements (reporting the County as a whole) and fund financial statements (reporting the County's major funds individually and non-major funds in the aggregate). The government-wide financial statements categorize primary activities as either governmental or business-type. The County's legislative; judicial; general government; public safety; public works; highways, streets and bridges; health and welfare; recreation and cultural; and non-departmental functions are classified as governmental activities as

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

they are largely supported by taxes and intergovernmental revenue. The County's sewage disposal systems, jail commissary, parking lots, and wetlands mitigation services are classified as business-type activities as they rely on fees and charges for support.

The primary function of the Delinquent Tax Revolving Fund is to support the collection of property tax revenue, a general government function. The activities of the Delinquent Tax Revolving Fund have been classified as governmental activities in the government-wide financial statements and a reconciliation from the proprietary fund financial statements to the business-type activities column in the government-wide financial statements has been prepared.

The government-wide financial statements display information about the County as a whole, excluding fiduciary funds and component units that are fiduciary in nature.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis, by column, and are reported on a full accrual basis of accounting and the economic resources measurement focus, in which all long-term assets and receivables, as well as long-term-debt and obligations, are recognized. The County's net assets are reported in the following three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's governmental functions and business-type activities. The functions are also supported by general government revenues. General revenues include property taxes, investment earnings, state sales taxes, and parking taxes. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a specific function. Indirect expenses for centralized services and administrative overhead are included as part of the direct expenses reported for the various functional activities.

Program revenues must be directly associated with a governmental or business-type activity. Amounts reported as program revenues include charges to customers for goods or services provided, operating grants and contributions, and capital grants and contributions, including special assessments. Operating grants include operating-specific and discretionary grants, while capital grants include capital-specific grants only. Internally dedicated resources are reported as general revenues rather than as program revenues.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. Non-change transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, state sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are activities between funds reported as governmental activities and funds reported as business-type activities. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

*Fund Financial Statements*

Separate fund financial statements are presented for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. Non-major governmental, non-major enterprise, internal service, pension (and other employee benefit) trust funds, and agency funds, are presented in the aggregate, and in individual columns, in the fund financial statements.

Governmental fund financial statements include those funds used to account for the County's general government activities. All governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if collection occurs within sixty (60) days. The County considers all other revenues to be available if they are collected within one year of the end of the fiscal year.

Property taxes, industrial facilities taxes, interest and rents, and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time. Entitlements and State-shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures are recognized as payable on the modified accrual basis when the liability is incurred, except for principal and interest on general long-term obligations, compensated absences, and claims, litigation, and assessments, which are recognized when due.

The County reports the following major governmental funds:

- General Fund - The General Fund accounts for all financial resources and expenditures except those required to be accounted for in other funds. The General Fund is the County's primary operating fund.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

- Roads Fund - This fund is used to account for the operations associated with the maintenance and construction of certain roads, streets, and bridges located within the County. These operations are funded principally by the federal government, the State of Michigan, and local governmental units within the County.
- Mental Health Fund - This fund is used to account for revenue reserved for providing mental health services to County residents.
- Health Fund - This fund is used to account for revenue reserved for the purpose of providing health protection, maintenance, and improvement for the residents of the County.
- Juvenile Justice and Abuse/Neglect Fund - This fund accounts for the cost of providing required foster care and/or residential care to abused, neglected, and delinquent children in the County, including County residents who become wards of the State of Michigan.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All proprietary funds are reported on a full accrual basis of accounting and the economic resources measurement focus.

The County's proprietary funds consist of the following major enterprise funds and the internal service funds:

- Downriver, Rouge Valley, and Combined Sewage Overflow (CSO) Basins Sewage Disposal System Funds - These major funds are used to record the fiscal activities associated with operation and maintenance of the Downriver, Rouge Valley, and CSO Basins sewage treatment facilities. Costs are recovered through development of usage rates, which are billed to the local communities served.
- Delinquent Tax Revolving Fund - This major fund is used to account for money advanced by the County to various taxing authorities for unpaid property taxes. It was established by law to buy any or all delinquent real property taxes and special assessments owed to the County and taxing authorities in the County.
- Internal Service Funds - These funds are used to account for the costs of certain goods, services, and activities (such as personnel, central services, information technology, employee health benefits, property insurance, capital asset acquisitions, etc.) provided by one department to another department or to component units of the County.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

The County reports the following fiduciary fund types:

- Pension (and Other Employee Benefit) Trust Funds - The pension trust funds are used to account for the assets of the County's employees' pension plan. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.
- Agency Funds - These funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the County holds for others in an agency capacity. Agency funds, which only report a Statement of Fiduciary Net Assets, use the accrual basis of accounting.

The County reports the following major component units:

- Airport Authority - These funds are used to account for the operation and maintenance of the Airports and the Airport Hotel. Airport revenues are primarily derived from landing fees, leases, and rentals received from users or fee-based operations. Activities associated with the Airport Hotel includes funding the construction and furnishing of an airport hotel at the McNamara Terminal at the Detroit Metropolitan Wayne County Airport.
- Circuit Court - The Court presides over judicial proceedings initiated within the County through its Civil, Criminal and Family Court divisions. These divisions are responsible for the resolution of general civil cases, felonies and high misdemeanors, domestic relation cases, and jurisdiction over juveniles in delinquency and protective proceedings.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 20, and amended by Statement No. 34, the government-wide statements and proprietary fund statements follow all GASB pronouncements and Financial Accounting Standards Board Statements (FASB) and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The County has the option to apply FASB pronouncements issued after November 30, 1989, for business-type activities and enterprise funds, but has chosen not to do so.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, Liabilities, and Net Assets or Fund Balance**

*Bond Issuance Costs* - The principal component of other assets in the enterprise funds represents bond issuance costs. Such issuance costs are amortized principally using methods that approximate the effective interest method.

*Capital Assets* - Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure assets are defined as long-lived capital assets that are stationary in nature and can be preserved longer than most other capital assets. Infrastructure assets have an initial, individual cost of more than \$5,000.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

Equipment, buildings, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in either the governmental or business-type activities column in the government-wide financial statements. All capital assets are recorded at historical cost or estimated historical cost, if actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	5-25
Infrastructure:	
Roadway signage	7-15
Bridges and dams	25-50
Roadways and paving	5-25
Sewer systems	25-80
Airport paving	25
Airport systems	10-25
Machinery and equipment, vehicles	5-25
Office equipment	5

*Cash and Investments* - Cash resources of the individual funds, except as specifically stated by the Comprehensive Investment Policy Ordinance, are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances. Securities traded on national or international exchanges are valued at last reported sales price at current exchange rates, which represent fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at the prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Gains or losses on investments sold or exchanged are recognized when the transactions are completed (settlement dates).

*Cash Flows* - For purposes of the Statement of Cash Flows, the County considers cash equivalents as all highly liquid investments, including restricted assets, with a maturity of three months or less from the date of acquisition.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

*Compensated Absences* - County employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited.

In the government-wide and proprietary fund financial statements, all vacation and sick pay is accrued when earned by the employee. In the governmental fund financial statements, the governmental funds report a liability for vacation and sick pay for employees who have separated from the County, however, their accrued vacation and sick pay remain due and payable at year-end.

*Deferral of Gains and Losses on Refunding* - For enterprise funds, the County defers the difference between the reacquisition price and the net carrying amount of the old debt in a refunding. The deferred amount is amortized and recorded as a component of interest expense.

*Deferred Revenue* - In the governmental funds, deferred revenue represents revenue that is estimable but not available to finance current operations. Accordingly, these revenues are deferred until such time as they are available. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned.

*Designated Net Assets* - The County has designated the net assets of the Equipment Lease Financing Fund (ELF), an internal service fund, for future capital acquisitions.

*Fund Balance* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not subject to appropriation or are legally segregated for a specific purpose.

Reservations of fund balances generally represent outside third-party restrictions or non-current assets that are not available to fund current liabilities such as inventories, prepayments, long-term receivables and due from other funds not settled within a year.

*Interfund Balances* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. In the government-wide financial statements, such advances between governmental funds are eliminated.

*Inventories* - Inventories are valued at cost, primarily using the weighted average cost flow assumption. Expenditures are recognized as inventory items are used. Fund balances in governmental funds have been reserved for the amount of inventory on hand at September 30, 2004, as that portion of fund balance is unavailable for appropriation or expenditure.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(1) Summary of Significant Accounting Policies, Continued**

*Passenger Facility Charges* - The Airport Authority assesses passenger facility charges of \$4.50 per passenger. The passenger facility charges are recorded as non-operating revenues and may only be expended on capital and non-capital projects approved by the federal government. Net assets related to unexpended passenger facilities charges are restricted.

*Use of Estimates* - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(2) Budget Matters**

The following is a listing of total expenditures in excess of the final amended budget for the major governmental funds, the General Fund and the Juvenile Justice and Abuse/Neglect Fund, and for the other governmental funds for which an annual budget has been legally adopted. Expenditures are presented at the legal level of budgetary control. The budgetary comparison schedules for the major governmental funds are presented as required supplementary information beginning on page II-113. The budgetary comparison schedules for the other governmental funds begin on page II-136.



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(2) Budget Matters, Continued

	Final <u>Amended Budget</u>	Actual <u>Expenditures</u>	Amount Over <u>Amended Budget</u>
<u>General Fund:</u>			
General Government:			
Board of County Canvassers	110,800	161,973	51,173
Department of Corporation Counsel	11,715,040	12,014,874	299,834
Office of the Prosecuting Attorney	34,106,454	34,328,436	221,982
Register of Deeds Remonumentation Project	390,000	749,345	359,345
Office of the County Treasurer	9,037,852	9,683,587	645,735
Public Safety:			
Park Patrol	3,338,947	3,455,282	116,335
Sheriff Secondary Roads	1,924,052	1,992,136	68,084
Jail Operations	87,160,070	94,246,687	7,086,617
Juvenile Detention Facility - Mental Health	2,364,175	2,458,536	94,361
Emergency Preparedness	1,479,805	1,607,487	127,682
Public Works:			
Drain Assessments- County Share	1,275,702	1,405,282	129,580
Health and Welfare:			
Indigent Health Care	47,852,814	57,158,616	9,305,802
Jail Medical	17,707,810	26,343,797	8,635,987
Human Services Coordinating Body	400,662	419,245	18,583
Jail Mental Health	7,850,016	8,147,302	297,286
Medical Examiner	7,129,997	7,220,823	90,826
Cooperative Extension Services	891,843	932,491	40,648
Non-departmental:			
Miscellaneous Fees	-	1,676,483	1,676,483
Miscellaneous Professional Services	4,000,000	4,149,805	149,805
Central Service Chargebacks	47,800	58,945	11,145
Indirect Cost-Expense	-	4,200	4,200
Miscellaneous Contractual Services	-	1,033,320	1,033,320
Corporation Counsel - Litigation Settlements	2,756,585	2,922,382	165,797
Southeast Michigan Council of Government	410,000	496,387	86,387
Total General Fund	<u>\$ 241,950,424</u>	<u>272,667,421</u>	<u>\$ 30,716,997</u>
Special Revenue Funds:			
Juvenile Justice and Abuse/Neglect	\$ 186,489,418	196,885,352	\$ 10,395,934
Law Enforcement	8,172,968	8,636,243	463,275
Drug Enforcement	1,363,309	2,173,987	810,678
Nutrition	5,744,498	5,976,356	231,858
Victim Witness	1,019,078	1,039,484	20,406
Building Authority	-	6,267	6,267
Stadium and Land Development	6,617,800	6,699,853	82,053
Nuisance Abatement	1,952,062	3,102,963	1,150,901
Pinnacle Aeropark	2,752,600	3,031,581	278,981
Debt Service Funds:			
Roads	5,920,543	5,926,790	6,247
Wayne County Building Authority	14,744,900	14,749,243	4,343

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(2) **Budget Matters, Continued**

*General Fund* - Actual expenditures exceeded budget by \$21,402,339. These overages in the General Fund were mainly funded through expenditure savings in other General Fund activities and by additional General Fund revenues.

*Juvenile Justice and Abuse/Neglect Fund* - Actual expenditures exceeded budget by \$10,395,934. This fund is in deficit. Refer to Footnote 13 for disclosure of the deficit elimination plan for this fund.

*Law Enforcement* - Expenditures exceeded budget by \$463,275. This expenditure overage was funded mainly from additional charges for services of \$606,109. This fund is in deficit. Refer to Footnote 13 for disclosure of the deficit elimination plan for this fund.

*Drug Enforcement Fund* - Expenditures exceeded budget by \$810,678. This fund is in deficit. Refer to Footnote 13 for disclosure of the deficit elimination plan for this fund.

*Nutrition Fund* - Expenditures exceeded budget by \$231,869. This expenditure overage was funded mainly from additional federal grants. This fund is in deficit. Refer to Footnote 13 for disclosure of the deficit elimination plan for this fund.

*Victim Witness Fund* - Expenditures exceeded budget by \$20,406. This expenditure overage was funded through additional Federal grants.

*Stadium and Land Development* - Expenditures exceeded budget by \$82,124. This expenditure overage was funded through additional tax revenue.

*Nuisance Abatement* - Expenditures exceeded budget by \$1,155,880. This fund is in deficit. Refer to Footnote 13 for disclosure of the deficit elimination plan for this fund.

*Pinnacle Aeropark* - Expenditures exceeded budget by \$278,981. This expenditure overage was funded through additional charges for services.

*Building Authority Fund* - Expenditures exceeded by \$6,267. This expenditure overage was funded through additional interest earnings.

*Roads Debt Service Fund* - Expenditures exceeded budget by \$6,247. This expenditure overage was funded through additional Roads fund appropriations.

*Wayne County Building Authority Debt Service Fund* - Expenditures exceeded budget by \$4,343. This expenditure overage was funded from additional interest earnings.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(3) Self Insurance**

The County is self-insured for workers' compensation, certain health benefits and other claims, litigation, and assessments. Accruals for claims, litigation, and assessments are recorded in the government-wide and proprietary fund financial statements. These accruals are recorded in the fund financial statements, within the governmental funds, when the amounts are due and payable at year-end. All other amounts are recorded in the government-wide financial statements when probable of loss and estimable in amount.

Health insurance and workers' compensation claims that are probable of loss and estimable in amount are included in the government-wide proprietary and fiduciary fund financial statements. Other claims consist of property damage and minor auto damage claims. The amount of claims liability is based on analyses performed by outside consultants and includes an estimate of incurred claims that have not yet been reported. The County purchases commercial insurance for claims in excess of coverage provided by the internal service funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

A reconciliation of the County's self-insured claims liability at September 30, 2004 follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Hospitalization</u> <u>Insurance</u>	<u>Other</u> <u>Claims</u>	<u>Total</u>
Claims liability, September 30, 2002	\$ 9,425,603	4,149,093	75,000	\$ 13,649,696
Claims incurred during fiscal year 2003	(439,802)	69,607,309	97,456	69,264,963
Change in estimate for prior period claims	(662,046)	(3,916,219)	-	(4,578,265)
Payments on claims	<u>(1,042,822)</u>	<u>(65,485,408)</u>	<u>(97,456)</u>	<u>(66,625,686)</u>
Claims liability, September 30, 2003	7,280,933	4,354,775	75,000	11,710,708
Claims incurred during fiscal year 2004	4,056,432	78,651,030	193,084	82,900,546
Change in estimate for prior period claims	(8,758)	(4,662,104)	-	(4,670,862)
Payments on claims	<u>(4,477,220)</u>	<u>(74,712,877)</u>	<u>(193,084)</u>	<u>(79,383,181)</u>
Claims liability, September 30, 2004	<u>\$ 6,851,387</u>	<u>3,630,824</u>	<u>75,000</u>	<u>\$ 10,557,211</u>

The liability for workers' compensation claims includes an estimate of loss and allocated loss adjustment expenses (ALAE). The estimate of loss is based on historical loss runs for the workers' compensation program through September 30, 2003, specific data for individual open claims, which occurred prior to 1985, and historical payroll data. ALAE represents the cost of legal fees, expert testimony, medical examination, etc., that are associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses are not included in the estimate.

A discount rate of 5.5% was used to determine the present value of unpaid workers' compensation claims.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(4) Cash and Investments**

At September 30, 2004, the County's cash and investments are categorized as follows:

<u>Investment Type</u>	<u>Risk Category</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits - (Cash and Certificates of Deposit)	N/A	\$ 33,957,696	44,057,572	84,013,730	137,984,244	\$ 300,013,242
Commercial Paper	1	96,000,000	-	209,466,568	-	305,466,568
Money Market Pooled Funds	N/A	14,647,535	1,500,663	30,116,825	151,480,425	197,745,448
U.S. Government Obligations	1	34,817,793	4,856,275	245,303,462	26,484,990	311,462,520
Registered Investment Companies	1	-	-	-	201,934,087	201,934,087
Corporate Bonds	1	-	-	-	83,511,551	83,511,551
Common Stock	1	-	-	-	528,924,339	528,924,339
Mortgages	N/A	-	-	-	55,105,516	55,105,516
Mortgage-backed pass through certificates	N/A	-	-	-	70,788,027	70,788,027
Investments in Partnerships	N/A	-	-	-	134,506,869	134,506,869
Foreign bonds	N/A	-	-	-	37,589	37,589
Participant loans receivable	N/A	-	-	-	25,439,841	25,439,841
Repurchase Agreements	1	-	-	3,629,278	-	3,629,278
		<u>\$ 179,423,024</u>	<u>50,414,510</u>	<u>572,529,863</u>	<u>1,416,197,478</u>	<u>\$ 2,218,564,875</u>

	<u>Equity in Pooled Cash and Investments</u>	<u>Other Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 179,155,140	267,884	\$ 179,423,024
Business-type activities	48,893,967	1,520,543	50,414,510
Total primary government	<u>228,049,107</u>	<u>1,788,427</u>	<u>229,837,534</u>
Component Units	19,709,522	552,820,341	572,529,863
Fiduciary funds	137,984,244	1,278,213,234	1,416,197,478
Total Reporting Entity	<u>\$ 385,742,873</u>	<u>1,832,822,002</u>	<u>\$ 2,218,564,875</u>

At year-end, deposits consisted primarily of cash and certificates of deposit. The carrying amount of the County's deposits was \$230.3 million, excluding Airport Authority deposits of \$69.7 million and the bank balance was \$269.8 million. These amounts are exclusive of the Airport Authority's deposits. These deposits are no longer included in the County's cash pools nor are they recorded in the County's general ledger. Of the bank balance, \$.7 million was covered by federal depository insurance and \$269.1 million was uninsured and uncollateralized.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(4) Cash and Investments, Continued**

In accordance with GASB Statement No. 3 *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, the County's investments are categorized to give an indication of the level of risk assumed by the entity as follows:

Category 1: Investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name.

Certain types of investments, such as money market pooled funds and mutual funds, are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

The County maintains 15 cash and investment pools, of which 9 are trust pools, which are administered by third party trustees. The Wayne County Treasurer administers the remaining 6 cash and investment pools. The General Pool is available for use by all funds; the Bond Reserve Pool is used for specific bond funds, and the Building Authority Pool consists of resources related to the WCBA capital improvement bonds.

The trust pools administered by third party trustees consist of resources related to specific bond issues for funding the cost of certain capital improvements, including acquiring, construction, equipment, and furnishing projects.

The portion of the 15 pools for each major fund is displayed in the fund financial statements as "Equity in pooled cash and investments." Equity in pooled cash and investments consist of cash, certificates of deposit and short-term money market accounts. Certain amounts deposited in the General Pool may be designated or restricted for grants, programs, or other purposes. Accounting control is maintained over these pooled designated or restricted balances.

Investments are also separately held in trust accounts by several of the County's funds, including General Debt Service, Stadium Authority, Building Authority, Budget Stabilization, Rouge Valley Sewage Disposal System, Trust and Agency, Retainages, and Pension Trust funds.

Cash and investments in the pooled accounts are allocated to the respective County funds and accounts based on an internal ledger system maintained by the County Treasurer. At September 30, 2004, restricted cash and investments in the Downriver 1999A and 1999B Bond & Interest Pools and the Downriver Bond Reserve Pool totaled \$1.2 million, \$1.6 million and \$2 million respectively.

The County's investment policies are governed by State statutes. General County funds must be deposited in government-insured accounts in banks or thrifts and may not be deposited in financial institutions located in states other than Michigan. Permissible investments include obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings, and repurchase agreements. The types of investments, investment terms, and the financial institutions used for investment purposes are determined based upon the County's needs. The County Treasurer periodically assesses the financial strength of the services provided by these financial institutions to help ensure that integrity of principal is maintained.

In accordance with the County's investment policy, the County invests in mortgage-backed securities. These securities are reported at fair value in the Statement of Net Assets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(4) Cash and Investments**

securities, the cash flow from interest payments is reduced and the value of these securities decline. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The County invests in mortgage-backed securities to diversify the portfolio and to increase the return, while minimizing the extent of risk.

The Wayne County Employees' Retirement System's investments, which are under the control of the Wayne County Retirement Board, are subject to a number of restrictions as to type, quality, and concentration of investment, including limiting common stock to 60 percent (at cost) of the portfolio. Investments in government-insured and other mortgages include mortgage-backed securities and conventional and construction mortgages collateralized by real property. Evaluations of real property are performed by outside consultants. Common stock and corporate bonds are limited to publicly traded companies recommended by several investment advisors.

Component Units

As of September 30, 2004, cash and investments of the component units, excluding the Airport Authority, in the amount of \$9.8 million were maintained in the County's General Pool. No pooled monies are directly attributable to a specific bank account or investment.

**(5) Restricted Assets**

In accordance with the terms of bond ordinances and for other purposes, certain sewage disposal systems, the Airport Authority, and certain drainage districts are required to restrict assets for various purposes. Net assets relating to certain of the restricted assets have been restricted.

Restricted assets on the government-wide Statement of Net Assets, totaling \$763 million, represent those amounts that are pledged toward the payment of outstanding bonds and notes.

A summary of the restricted assets of the Sewage Disposal Systems, the Airport Authority, and Chapter 21 Drainage District, a non-major component unit, at September 30, 2004, follows:

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(5) Restricted Assets, Continued

	Sewage Disposal Systems	Airport Authority	Chapter 21 Drainage District	Total
Operations and maintenance:				
Other cash and investments	\$ -	26,737,610	(309,446)	\$ 26,428,164
Accounts receivable	-	76,656	-	76,656
	-	26,814,266	(309,446)	26,504,820
Replacements and improvements:				
Equity in pooled cash and investments	7,047,544	-	309,955	7,357,499
Other cash and investments	-	2,156,854	-	2,156,854
	7,047,544	2,156,854	309,955	9,514,353
Constructions:				
Equity in pooled cash and investments	(11,330,885)	-	(510)	(11,331,395)
Other cash and investments	1,479,543	161,100,014	-	162,579,557
Accounts receivable	260,887	2,387,198	-	2,648,085
	(9,590,455)	163,487,212	(510)	153,896,247
Bond and interest redemption:				
Equity in pooled cash and investments	32,963,627	-	252,110	33,215,737
Other cash and investments	-	229,443,583	-	229,443,583
Accounts receivable	16,178,893	2,207,236	-	18,386,129
	49,142,520	231,650,819	252,110	281,045,449
Bond principal due from municipalities	220,771,636	-	-	220,771,636
Passenger facilities charges:				
Other cash and investments	-	62,188,841	-	62,188,841
Accounts receivable	-	7,259,392	-	7,259,392
	-	69,448,233	-	69,448,233
Drug enforcement:				
Other cash and investments	-	2,137,217	-	2,137,217
Accounts receivable	-	1,463	-	1,463
	-	2,138,680	-	2,138,680
Total	\$ 267,371,245	495,696,064	252,109	\$ 763,319,418

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(5) Restricted Assets, Continued**

Bond principal due from municipalities are recorded upon the issuance of debt for construction of sewage facilities and systems. Such principal will be repaid by the benefited local communities in accordance with the debt service requirements of the County.

**(6) Major Customer - Airport Authority Component Unit**

Northwest Airlines, Inc. (Northwest) accounted for approximately 33 percent of total Airport Authority operating revenues for the year ended September 30, 2004, including approximately 68 percent of airport landing and related fees, approximately 62 percent of rental and expense recoveries and approximately 78 percent of facility use fees from tenants during fiscal year 2004. Approximately 66 percent of total fiscal year 2004 enplanements are attributable to Northwest's operations. In the event Northwest discontinued its operations, there are no assurances that another airline would replace its hub activities.

Existing operating agreements with all signatory airlines serving the Airport Authority provide reasonable assurance that all remaining airlines would continue to pay the net operating costs and debt service requirements of the Authority. The Airport Authority had approximately \$9.6 million in net receivables from Northwest at September 30, 2004.

**(7) Long-term Receivables**

In 1984, the County, through the EDC, entered into an agreement for the sale and leaseback of the Wayne County Building with the Old Wayne County Building Limited Partnership. The terms of the capital lease (Note 11) provide for the refurbishment and restoration of the building in return for a note from the Partnership for \$5.3 million, at 9%, per annum due and payable in 2028. The current value of the note is \$26,193,997. The note is a non-recourse obligation of the Partnership that is secured by the Wayne County building. The note requires minimum semi-annual payments of \$500,000.

In May 1999, the County, through the ELF Fund, acquired and leased back land for the Pinnacle Aeropark Project to the County's Pinnacle Fund. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The note requires minimum semi-annual payments of \$1,285,767 from the County's Pinnacle Fund. The amount recorded in the fund statements on the long-term receivable and the capital lease payable at September 30, 2004 was \$31,551,721 (Note 11). These amounts were eliminated in the government-wide statements.

In September 2002, the County, through the ELF Fund, acquired and leased back all Golf Course Fund capital assets. A gain of \$1,984,870 was recognized in the Parks Fund, along with a corresponding long-term receivable from the ELF Fund, which will be amortized over three years. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum annual payments in the amount of \$727,550. The amount recorded in the fund statements on the long-term receivable and the capital lease payable at September 30, 2004 was \$13,470,036 (Note 11). These amounts were eliminated in the government-wide statements.

In September 2000 and 2001, the County, through the ELF Fund, acquired and leased back various items of equipment to the Circuit Court, under two five-year lease agreements with a total cost of \$4.6 and \$1.7 million, respectively. These agreements qualified as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$89,213 and \$33,641, respectively. The amount outstanding



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(7) Long-term Receivables, Continued**

at September 30, 2004 of \$2,291,010 (Note 11) is reported as a long-term receivable and a capital lease payable in the ELF Fund and in the Circuit Court Fund, respectively.

**(8) Capital Assets**

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities:</i>				
Non-depreciable capital assets:				
Land	\$ 545,974,210	4,061,750	-	\$ 550,035,960
Construction in progress	21,805,974	26,717,343	(21,840,350)	26,682,967
Total non-depreciable capital assets	567,780,184	30,779,093	(21,840,350)	576,718,927
Depreciable capital assets:				
Land improvements	12,757,390	69,000	-	12,826,390
Buildings and improvements	318,523,545	17,828,231	-	336,351,776
Machinery, equipment and vehicles	114,531,779	8,698,468	(5,448,450)	117,781,797
Infrastructure	1,387,530,445	21,327,227	-	1,408,857,672
Total depreciable capital assets	1,833,343,159	47,922,926	(5,448,450)	1,875,817,635
Accumulated depreciation:				
Land improvements	(7,595,186)	(532,426)	-	(8,127,612)
Buildings and improvements	(148,635,142)	(26,660,073)	-	(175,295,215)
Machinery, equipment and vehicles	(87,339,934)	(9,852,425)	3,875,850	(93,316,509)
Infrastructure	(804,576,564)	(43,284,713)	1,685	(847,859,592)
Total accumulated depreciation	(1,048,146,826)	(80,329,637)	3,877,535	(1,124,598,928)
Total depreciable capital assets, net	785,196,333	(32,406,711)	(1,570,915)	751,218,707
Total governmental activities capital assets, net	\$ 1,352,976,517	(1,627,618)	(23,411,265)	\$ 1,327,937,634

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 16,288
Judicial	1,931,890
General government	6,158,937
Public safety	5,583,980
Highways, streets and bridges	48,710,446
Health and welfare	717,476
Recreational and cultural	<u>1,171,225</u>
Total depreciation expense - governmental activities	<u>\$ 64,290,242</u>

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the governmental capital assets.

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Downriver Sewage Disposal Systems:				
Land	\$ 2,426,717	-	-	\$ 2,426,717
Construction in progress	-	<u>1,347,085</u>	<u>(481,350)</u>	<u>865,735</u>
Total non-depreciable capital assets	<u>2,426,717</u>	<u>1,347,085</u>	<u>(481,350)</u>	<u>3,292,452</u>
Depreciable capital assets:				
Land improvements	150,033	-	-	150,033
Buildings and improvements	18,831,325	-	-	18,831,325
Machinery, equipment and vehicles	142,473	162,423	-	304,896
Infrastructure	<u>348,779,323</u>	<u>481,350</u>	-	<u>349,260,673</u>
Total depreciable capital assets	<u>367,903,154</u>	<u>643,773</u>	-	<u>368,546,927</u>
Accumulated depreciation:				
Land improvements	(136,928)	(860)	-	(137,788)
Buildings and improvements	(15,500,622)	(527,111)	-	(16,027,733)
Machinery, equipment and vehicles	(132,435)	(14,689)	-	(147,124)
Infrastructure	<u>(55,563,124)</u>	<u>(12,630,171)</u>	-	<u>(68,193,295)</u>
Total accumulated depreciation	<u>(71,333,109)</u>	<u>(13,172,831)</u>	-	<u>(84,505,940)</u>
Total depreciable capital assets, net	<u>296,570,045</u>	<u>(12,529,058)</u>	-	<u>284,040,987</u>
Total Downriver Sewage Disposal Systems capital assets, net	<u>\$ 298,996,762</u>	<u>(11,181,973)</u>	<u>(481,350)</u>	<u>\$ 287,333,439</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(8) Capital Assets, Continued

	Beginning <u>Balance</u>	<u>Primary Government</u>		Ending <u>Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
Rouge Valley Sewage Disposal System:				
Non-depreciable capital assets:				
Land	\$ 1,448,847	-	-	\$ 1,448,847
Construction in progress	-	372,187	(372,187)	-
Total non-depreciable capital assets	<u>1,448,847</u>	<u>372,187</u>	<u>(372,187)</u>	<u>1,448,847</u>
Depreciable capital assets:				
Buildings and improvements	9,019,540	-	-	9,019,540
Infrastructure	<u>116,504,083</u>	<u>372,187</u>	-	<u>116,876,270</u>
Total depreciable capital assets	<u>125,523,623</u>	<u>372,187</u>	-	<u>125,895,810</u>
Accumulated depreciation:				
Buildings and improvements	(4,055,764)	(277,184)	-	(4,332,948)
Infrastructure	<u>(29,510,155)</u>	<u>(1,659,499)</u>	-	<u>(31,169,654)</u>
Total accumulated depreciation	<u>(33,565,919)</u>	<u>(1,936,683)</u>	-	<u>(35,502,602)</u>
Total depreciable capital assets, net	<u>91,957,704</u>	<u>(1,564,496)</u>	-	<u>90,393,208</u>
Total Rouge Valley Sewage Disposal System capital assets, net	<u>\$ 93,406,551</u>	<u>(1,192,309)</u>	<u>(372,187)</u>	<u>\$ 91,842,055</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(8) Capital Assets, Continued

	Beginning <u>Balance</u>	<u>Primary Government</u>		Ending <u>Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
CSO Basins Sewage Disposal System:				
Non-depreciable capital assets:				
Construction in progress	\$ -	26,486	(26,486)	\$ -
Total non-depreciable capital assets	-	26,486	(26,486)	-
Depreciable capital assets:				
Buildings and improvements	83,452,927	26,486	-	83,479,413
Machinery, equipment and vehicles	7,830	-	-	7,830
Infrastructure	3,363,652	-	-	3,363,652
Total depreciable capital assets	86,824,409	26,486	-	86,850,895
Accumulated depreciation:				
Buildings and improvements	(14,527,534)	(3,384,878)	-	(17,912,412)
Machinery, equipment and vehicles	(1,044)	(1,566)	-	(2,610)
Infrastructure	(203,206)	(135,933)	-	(339,139)
Total accumulated depreciation	(14,731,784)	(3,522,377)	-	(18,254,161)
Total depreciable capital assets, net	72,092,625	(3,495,891)	-	68,596,734
Total CSO Basins Sewage Disposal System capital assets, net	\$ 72,092,625	(3,469,405)	(26,486)	\$ 68,596,734

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Non-major business-type activities:</i>				
Non-depreciable capital assets:				
Land	\$ 1,012,645	421,074	-	\$ 1,433,719
Construction in progress	<u>155,467</u>	<u>-</u>	<u>-</u>	<u>155,467</u>
Total non-depreciable capital assets	<u>1,168,112</u>	<u>421,074</u>	<u>-</u>	<u>1,589,186</u>
Depreciable capital assets:				
Buildings and improvements	9,960,574	-	-	9,960,574
Machinery, equipment and vehicles	193,376	74,334	-	267,710
Infrastructure (Sewage disposal systems)	<u>1,052,873</u>	<u>-</u>	<u>-</u>	<u>1,052,873</u>
Total depreciable capital assets	<u>11,206,823</u>	<u>74,334</u>	<u>-</u>	<u>11,281,157</u>
Accumulated depreciation:				
Buildings and improvements	(4,631,094)	(318,227)	-	(4,949,321)
Machinery, equipment and vehicles	(52,342)	(52,147)	-	(104,489)
Infrastructure (Sewage disposal systems)	<u>(316,584)</u>	<u>(13,247)</u>	<u>-</u>	<u>(329,831)</u>
Total accumulated depreciation	<u>(5,000,020)</u>	<u>(383,621)</u>	<u>-</u>	<u>(5,383,641)</u>
Total depreciable capital assets, net	<u>6,206,803</u>	<u>(309,288)</u>	<u>-</u>	<u>5,897,516</u>
Total non-major business-type activity capital assets, net	<u>7,374,915</u>	<u>111,786</u>	<u>-</u>	<u>7,486,702</u>
Grand total business-type activity capital assets, net	<u>\$ 471,870,853</u>	<u>(15,731,901)</u>	<u>(26,486)</u>	<u>\$ 455,258,930</u>

Depreciation expense was charged to the funds of the primary government as follows:

Business-type activities:	
Sewage Disposal Systems (includes non-major activities)	\$ 18,963,568
Jail Commissary	<u>51,942</u>
Total depreciation expense - business-type activities	<u>\$ 19,015,510</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

Construction in progress involves various Sewage Disposal System improvements. The costs expected to be incurred to complete these projects are estimated at \$4.6 million. These projects are expected to be funded by future contributions from federal grants, participating local governmental units, and assets restricted for improvements.

**Discretely presented component units**

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Airport Authority:</b>				
Non-depreciable capital assets:				
Land	\$ 170,107,308	(83,865)	-	\$ 170,023,443
Construction in progress	<u>33,528,193</u>	<u>84,665,035</u>	<u>(66,602,721)</u>	<u>51,590,507</u>
Total non-depreciable capital assets	<u>203,635,501</u>	<u>84,581,170</u>	<u>(66,602,721)</u>	<u>221,613,950</u>
Depreciable capital assets:				
Buildings and improvements	1,447,376,649	67,710,164	-	1,515,086,813
Airport paving	641,946,401	1,929,068	-	643,875,469
Airport systems	296,312,129	226,410	-	296,538,539
Machinery, equipment and vehicles	44,845,003	2,653,783	-	47,498,786
Infrastructure	<u>189,518,826</u>	<u>2,298,953</u>	<u>-</u>	<u>191,817,779</u>
Total depreciable capital assets	<u>2,619,999,008</u>	<u>74,818,378</u>	<u>-</u>	<u>2,694,817,386</u>
Accumulated depreciation:				
Buildings and improvements	(227,287,592)	(58,165,496)	-	(285,453,088)
Airport paving	(274,908,742)	(20,114,645)	-	(295,023,387)
Airport systems	(156,796,302)	(10,873,453)	-	(167,669,755)
Machinery, equipment and vehicles	(33,545,875)	(3,827,098)	-	(37,372,973)
Infrastructure	<u>(26,162,136)</u>	<u>(7,254,318)</u>	<u>-</u>	<u>(33,416,454)</u>
Total accumulated depreciation	<u>(718,700,647)</u>	<u>(100,235,010)</u>	<u>-</u>	<u>(818,935,657)</u>
Total depreciable capital assets, net	<u>1,901,298,361</u>	<u>(25,416,632)</u>	<u>-</u>	<u>1,875,881,729</u>
Total Airport Authority capital assets, net	<u>\$ 2,104,933,862</u>	<u>59,164,538</u>	<u>(66,602,721)</u>	<u>\$ 2,097,495,679</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Circuit Court:				
Non-depreciable capital assets:				
Land	\$ 7,500,662	-	(3,493,023)	\$ 4,007,639
Total non-depreciable capital assets	<u>7,500,662</u>	<u>-</u>	<u>(3,493,023)</u>	<u>4,007,639</u>
Depreciable capital assets:				
Land improvements	188,400	-	(69,000)	119,400
Buildings and improvements	28,589,475	-	(25,531,809)	3,057,666
Machinery, equipment and vehicles	<u>9,101,564</u>	<u>-</u>	<u>-</u>	<u>9,101,564</u>
Total depreciable capital assets	<u>37,879,439</u>	<u>-</u>	<u>(25,600,809)</u>	<u>12,278,630</u>
Accumulated depreciation:				
Land improvements	(156,406)	57,860	-	(98,546)
Buildings and improvements	(25,314,478)	15,822,809	6,434,004	(3,057,665)
Machinery, equipment and vehicles	<u>(6,295,013)</u>	<u>(1,461,868)</u>	<u>-</u>	<u>(7,756,881)</u>
Total accumulated depreciation	<u>(31,765,897)</u>	<u>14,418,801</u>	<u>6,434,004</u>	<u>(10,913,092)</u>
Total depreciable capital assets, net	<u>6,113,542</u>	<u>14,418,801</u>	<u>(19,166,805)</u>	<u>1,365,538</u>
Total Circuit Court capital assets, net	<u>\$ 13,614,204</u>	<u>14,418,801</u>	<u>(22,659,828)</u>	<u>\$ 5,373,177</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-major component units:				
Non-depreciable capital assets:				
Land	\$ 81,983,745	-	-	\$ 81,983,745
Construction in progress	<u>904,054</u>	<u>487,706</u>	<u>(904,056)</u>	<u>487,704</u>
Total non-depreciable capital assets	<u>82,887,799</u>	<u>487,706</u>	<u>(904,056)</u>	<u>82,471,449</u>
Depreciable capital assets:				
Land improvements	13,852,326	-	-	13,852,326
Buildings and improvements	702,914,801	18,150,834	(18,797,400)	702,268,235
Infrastructure	-	62,732,261	-	62,732,261
Machinery, equipment and vehicles	<u>23,921,290</u>	<u>2,188,262</u>	<u>-</u>	<u>26,109,552</u>
Total depreciable capital assets	<u>740,688,417</u>	<u>83,071,357</u>	<u>(18,797,400)</u>	<u>804,962,374</u>
Accumulated depreciation:				
Land improvements	(1,763,902)	(702,150)	-	(2,466,052)
Buildings and improvements	(74,487,864)	(42,907,556)	5,579,838	(111,815,582)
Infrastructure	-	(28,659,138)	-	(28,659,138)
Machinery, equipment and vehicles	<u>(4,815,854)</u>	<u>(3,289,510)</u>	<u>-</u>	<u>(8,105,364)</u>
Total accumulated depreciation	<u>(81,067,620)</u>	<u>(75,558,354)</u>	<u>5,579,838</u>	<u>(151,046,136)</u>
Total depreciable capital assets, net	<u>659,620,797</u>	<u>7,513,003</u>	<u>(13,217,562)</u>	<u>653,916,238</u>
Total non-major component units capital assets, net	<u>742,508,596</u>	<u>8,000,709</u>	<u>(14,121,618)</u>	<u>736,387,687</u>
Grand total discretely presented component units capital assets, net	<u>\$ 2,861,056,662</u>	<u>81,584,048</u>	<u>(103,384,167)</u>	<u>\$ 2,839,256,543</u>

Depreciation expense was charged in the component unit funds as follows:

Airport Authority	\$ 100,235,010
Circuit Court	1,468,216
Stadium Authority	31,580,995
Chapter 20 Drains	1,140,272



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(8) Capital Assets, Continued**

For the year ended September 30, 2004, the amount of interest capitalized for discretely presented component units was \$.1 million.

The Airport Authority's construction in progress involves various airport paving and other system improvements in the approximate amount of \$.4 million and \$51.2 million, respectively, at September 30, 2004.

**Fiduciary Funds**

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Machinery, equipment and vehicles	\$ 4,087,408	-	-	\$ 4,087,408
Total non-depreciable capital assets	<u>4,087,408</u>	<u>-</u>	<u>-</u>	<u>4,087,408</u>
Accumulated depreciation:				
Machinery, equipment and vehicles	(3,777,857)	(81,480)	-	(3,859,337)
Total accumulated depreciation	<u>(3,777,857)</u>	<u>(81,480)</u>	<u>-</u>	<u>(3,859,337)</u>
Total depreciable capital assets, net	<u>309,551</u>	<u>(81,480)</u>	<u>-</u>	<u>228,071</u>
Total fiduciary capital assets, net	<u>\$ 309,551</u>	<u>(81,480)</u>	<u>-</u>	<u>\$ 228,071</u>

**(9) Property Taxes**

County Tax Levy

The County property tax is levied each December 1 (lien date). Historically, pursuant to the County Charter and State law, the County has levied an ad valorem property tax against the State Equalized Valuation (SEV), based on property values determined by local assessors in the several townships and cities as of the preceding December 31. By statute, these assessment values are calculated at 50 percent of true cash value. Real and personal property in Wayne County for the December 1, 2003 (fiscal year 2004) levy was equalized at \$57 billion.

In 1994, Michigan voters approved Proposal A, which limits future annual increases in assessed values to the lesser of 5 percent or the rate of inflation, with assessed value reverting to 50 percent of true cash value when the property is sold. Beginning in 1995, taxable property had two valuations: SEV and Taxable Value, with property taxes calculated upon the Taxable Value of real and personal property. Generally, Taxable Value is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate or 5 percent, plus additions, or (b) the property's current SEV. Therefore, Taxable Value of a property may be different from the same property's SEV. As of December 1, 2003 (fiscal year 2004), the Taxable Value of property in Wayne County was \$43.3 billion. County property taxes are receivable beginning on the December 1 levy date and become delinquent on March 1 of the following year.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(9) Property Taxes, Continued**

By statute, the County's ad valorem property tax rate may not exceed 10.0 mills, plus any additional millage as authorized by statute and as approved by the voters of the County. The County Charter, as approved by the electorate on November 3, 1981, established 8.93 mills to be the maximum rate for general operating purposes.

In 1988, the Wayne County electorate voted one additional mill (jail millage) to be levied through December 1, 1997, to acquire, construct, and/or operate jail, misdemeanor, juvenile incarceration or detention facilities; and for adult-penalty options such as work release, home detention, and community restitution, with at least one-tenth of a mill set aside to acquire, build, and operate a juvenile offender work/training institution. The unexpended portion of this one-tenth millage is included in the Youth Services Fund's fund balance. In 2002, the Wayne County electorate voted to continue this one additional mill (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2002 through 2011.

In 1990, the voters of Wayne County approved an additional 1 mill for general operating purposes to be levied through December 1, 1999, for general operating purposes. In 2000, the Wayne County electorate voted to continue the additional one mill for operating (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2000 through 2009.

In 1996, the voters of Wayne County approved an additional quarter-mill to be levied through December 1, 2000, to fund operations and major improvements in the Wayne County Park System and historic Fort Wayne. In 2000, the Wayne County electorate voted to continue the additional quarter-mill (as reduced by the Headlee requirements of the Michigan Constitution) for the years 2001 through 2005.

The 1976 Headlee Amendment (Michigan Constitution, Article IX) provides that the total County ad valorem property tax levy is subject to reduction in any year in which the increase in assessed (or taxable) values on existing properties exceeds the Consumer Price Index. As a result of the Headlee Amendment, the December 1, 2003 tax rates, per \$1,000 of Valuation, were:

Charter (Statutory)	5.6483
Public Safety (Jail millage)	0.9381
Extra Voted (Additional general)	0.9529
County Parks	0.2459
Soldiers Relief (Veteran's relief)	<u>0.0368</u>
Total	<u>7.8220</u>

**Delinquent Tax Revolving Fund**

The Wayne County Treasurer (Treasurer) is required by the General Property Tax Law, (Act 206 of 1893) as amended, to collect delinquent real property taxes levied by all local units of government within the County. Public Act 123 of 1999 (the Act) amended the General Property Tax Law to subject tax delinquent property to expedite forfeiture, foreclosure, and sale over a two-year period. All property returned for delinquent taxes, and upon which taxes, interest, penalties, and fees remain unpaid after the property is returned as delinquent to the County Treasurer, is subject to forfeiture, foreclosure, and sale for the enforcement and collection of the delinquent taxes. The Act reformed the tax reversion process by shortening the process to two years and amending the May Tax Sale process. The Act also established the primary responsibility for administration with the Treasurer.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(9) Property Taxes, Continued**

In addition, under the Act, the Treasurer pays the local governmental unit's Treasurer in full for delinquent real property taxes owed according to the delinquent tax roll "returned" to the Treasurer. Taxes eligible for payment under this section include all delinquent taxes, except taxes on personal property, due and payable to the taxing authorities in the County. The County Treasurer is then responsible for the collection of all outstanding delinquent taxes, due to the County, local school district, intermediate school district, community college district, city, township, special assessment district, or any other taxing authority. The County retains all interest and penalties generated by the delinquent taxes to offset its tax collection costs.

Effective March 1, 2004, payment of delinquent real property taxes for the City of Detroit changed pursuant to Michigan Public Act 246. The Act now requires the City of Detroit to become a part of the uniform state property tax collection process, and changed the Wayne County Treasurer's responsibility to include collection of delinquent City of Detroit property taxes.

The General Property Tax Law authorizes the Treasurer to establish a Delinquent Tax Revolving Fund, an enterprise fund, to buy any or all delinquent real property taxes and special assessments owed to the County and taxing authorities in the County. The assets of the Delinquent Tax Revolving Fund, including delinquent property taxes receivable amounting to \$105.1 million at September 30, 2004, are pledged as collateral for payment of the General Obligation Limited Tax Notes. Proceeds of the notes are used to liquidate amounts due to the County's General Fund, other County funds, the communities, and other governmental agencies for the purchase of the delinquent real property taxes receivable. Debt service on the notes is funded by subsequent collections on delinquent taxes, plus interest and collection fees thereon, and by investment earnings.

In May 2004, in connection with the purchase of 2003 delinquent property taxes, the County issued \$82.2 million of General Obligation Limited Tax Notes, Series 2004A, to cover delinquent taxes for the City of Detroit and state and local school taxes within the City of Detroit. These notes mature on May 26, 2006. Interest on the notes shall be payable monthly at a variable interest rate (1.18% on the date of issuance) equal to the sum of eight basis points (0.08%) per annum plus the Eurodollar Base Rate. Amounts remaining from the 2001 and prior Delinquent Tax Funds at September 30, 2004 are no longer required for debt service or administration. A portion of the excess earnings (surpluses) relating to these funds are periodically transferred to the County's General Fund. During 2004, such transfers amounted to \$25.5 million.

In June 2004, the County issued an additional \$51.3 million in General Obligation Limited Tax Notes, series 2004B, for the remaining Wayne County municipalities and townships. These notes mature on June 30, 2006. Interest on the notes shall be payable monthly at a variable interest rate (1.42% on the date of issuance) equal to the sum of eight basis points (0.08%) per annum plus the Eurodollar Base Rate.

Real property taxes not collected within three years after the sale of the related General Obligation Limited Tax Notes are charged back to the appropriate taxing authorities (including the County's General Fund). During 2004, approximately \$1.2 million of delinquent taxes receivable, net of related tax sales auction proceeds, were reflected as a reduction of property tax revenues in the County's General Fund. At September 30, 2004, two years of the County's delinquent real property taxes receivable are recorded in the Delinquent Tax Revolving Fund.

**0) Interfund Transfers, Balances, and Advances**

*Interfund Transfers*

Interfund transfers are used to 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended September 30, 2004 consisted of the following:

**Transfers Out**

	General Fund	Roads	Non-major Governmental Funds	Delinquent Tax Revolving	Internal Services Funds	Total Transfers In
General Fund	\$ -	-	7,575,337	25,500,000	1,539,354	\$ 34,614,691
Roads	-	-	-	-	492,219	492,219
Mental Health	17,733,713	-	-	-	98,065	17,831,778
Health	10,130,730	-	-	-	115,722	10,246,452
Juvenile Justice and Abuse/Neglect	95,161,698	-	3,324,100	-	134,865	98,620,663
Non-major Governmental Funds	8,128,210	5,926,790	-	-	211,682	14,266,682
Downriver Sewage Disposal System	-	-	-	-	45,344	45,344
Delinquent Tax Revolving	-	-	-	-	6,457	6,457
Internal Service Funds	-	-	-	-	66,574	66,574
Component Units	-	-	-	-	-	-
<b>Total Transfers Out</b>	<b>\$ 131,154,351</b>	<b>5,926,790</b>	<b>10,899,437</b>	<b>25,500,000</b>	<b>2,710,282</b>	<b>\$ 176,190,860</b>

During the year, a transfer of \$5,171,513 was made from the Budget Stabilization Fund (a non-major governmental fund) to the General Fund for operations. A transfer of \$25,500,000 was also made from the Delinquent Tax Revolving Fund to the General Fund (Note 9).

In the year ended September 30, 2004, the County made the following one-time transfers:

A transfer of \$2,710,282 from the Long-term Disability fund to various County funds. Of this amount, \$1,539,354 benefits the General Fund. This rebate was made because the funds overpaid their long-term disability obligation.

(10) Interfund Transfers, Balances, and Advances, Continued

*Interfund Balances*

The interfund balances resulted from overdrafts by individual funds of their share of pooled cash and from the time lag between the dates 1) interfunds goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting systems, and 3) payment between funds are made. At September 30, 2004 certain interfund balances related to overdrafts of pooled cash consisted of amounts from other funds that have not been repaid within one year. The longer term nature of these interfunds could result in the fund balances not being available for future appropriation in certain governmental funds, including the General Fund.

Interfund balances at September 30, 2004 consisted of the following:

		Due from Other Funds				
		General Fund	Health	Juvenile Justice and Abuse/Neglect	Non-major Governmental Funds	Downriver Sewage Disposal System
Due to Other Funds	General Fund	\$ -	6,398,123	30,342,812	20,087,954	25,480
	Roads		-	-	-	-
	Mental Health	51,156,120	-	-	69	-
	Health	-	-	-	-	-
	Juvenile Justice and Abuse/Neglect	-	-	-	-	-
	Non-major Governmental Funds	553	-	35,531	764,851	-
	Downriver Sewage Disposal System	-	-	-	-	-
	Rouge Valley Sewage Disposal System	1,172,619	-	-	-	4,656,435
	CSO Basins Sewage Disposal System	-	-	-	-	-
	Delinquent Tax Revolving	34,080,243	-	-	-	-
	Non-major Enterprise Funds	-	-	-	-	-
	Internal Service Funds	4,999,937	-	-	52,109	40,007
	Fiduciary Funds	-	-	-	7,354	18,453
	Total Due to Other Funds	<u>\$ 91,409,472</u>	<u>6,398,123</u>	<u>30,378,343</u>	<u>20,912,337</u>	<u>4,740,375</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**10) Interfund Transfers, Balances, and Advances, Continued**

		Due from Other Funds				
		CSO Basins Sewage Disposal System	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due from Other Funds
Due to Other Funds	General Fund	-	1,172,620	5,075,885	6,859	\$ 63,109,733
	Roads	-	-	21,739	-	21,739
	Mental Health	-	-	-	-	51,156,189
	Health	-	-	1,326	-	1,326
	Juvenile Justice and Abuse/Neglect	-	-	394	-	394
	Non-major Governmental Funds	-	-	12,897	-	813,832
	Downriver Sewage Disposal System	-	-	780	-	780
	Rouge Valley Sewage Disposal System	-	-	278	-	5,829,332
	CSO Basins Sewage Disposal System	-	-	819	-	819
	Delinquent Tax Revolving	-	-	13	-	34,080,256
	Non-major Enterprise Funds	-	-	270	-	270
	Internal Service Funds	196,828	-	53,471	9,728	5,352,080
	Fiduciary Funds	-	-	17,172	1,560,947	1,603,926
	Total Due to Other Funds	196,828	1,172,620	5,185,044	1,577,534	\$ 161,970,676

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

(10) Interfund Transfers, Balances, and Advances, Continued

	Due from Component Units			
	Airport Authority	Circuit Court	Non-Major Component Units	Total Due from Component Units
<b>Governmental Activities:</b>				
General Fund	\$ 14,000	33,952,306	142,167	\$ 34,108,473
Roads	964,916	-	-	964,916
Mental Health	-	579,582	-	579,582
Non-major Governmental Funds	165,764	-	-	165,764
Internal Service Funds	19,015	-	2,695	21,710
Total Due to Primary Government - Governmental Activities	1,163,695	34,531,888	144,862	35,840,445
Downriver Sewage Disposal System	14,448	-	-	14,448
Rouge Valley Sewage Disposal System	-	-	78,848	78,848
Total Due to Primary Government - Business-type Activities	14,448	-	78,848	93,296
Total Due to Primary Government	\$ 1,178,143	34,531,888	223,709	\$ 35,933,740
Due to Fiduciary Funds	\$ -	-	1,637	\$ 1,637

For the year ended September 30, 2004, the principal amounts included in the \$34 million in interfunds between the Circuit Court Component Unit and the Primary Government General Fund consist of the borrowings to cover overdrafts for the Circuit Court's share of pooled cashed.

	Due from Primary Government		
	General Fund	Internal Service Funds	Total Due from Primary Government
Circuit Court	\$ 415,126	-	\$ 415,126
Non-major Component Unit	-	420	420
Total Due to Component Unit	\$ 415,126	420	\$ 415,546

10) Interfund Transfers, Balances, and Advances, Continued

*Advances To/From Other Funds*

Advances represent non-current loans involving the transfer of cash between funds within the primary government where no goods were sold or services rendered, with the expectation of repayment from future revenues as funds are available. Loans between funds are treated as balance sheet transactions. The borrowing fund reports a liability and an increase in cash, and the lending fund reports a receivable and a decrease in cash. Interfund interest expense is charged on these loans based on a rate, which is determined by net earnings on investment income earned, by the County's pooled cash and investments. This rate is then allocated monthly to the various funds based on each fund's average cash and investment balance.

Non-current balances arising in connection with interfund loans are reported as advances. Advances to Other Funds is an asset account used to record non-current portions of loans from one fund to another fund within the same reporting entity. Similarly, Advances from Other Funds is a liability account used to record non-current portions of debt owed by one fund to another fund within the same reporting entity. Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that funds are not available for appropriation and are not expendable financial resources. Such advances are eliminated in the government-wide financial statements.

At September 30, 2004, the Delinquent Tax Revolving Fund advanced \$42,677,543 to the Equipment Lease Financing Fund.

*Disaggregation of Receivable and Payable Balances*

Significant receivable and payable balances from other governmental units at September 30, 2004 are as follows:

	Due From Other Governmental Units			
	State of Michigan	U.S. Federal Government	Local Governments	Total
General Fund	\$ 26,381,894	791,366	4,762,164	\$ 31,935,424
Roads	23,852,046	-	3,480,250	27,332,296
Mental Health	4,019,072	515,334	-	4,534,406
Health	4,732,310	11,450	220,019	4,963,779
Juvenile Justice and Abuse/Neglect	41,003,712	-	-	41,003,712
Non-major Governmental Funds	4,194,108	7,084,587	1,901,497	13,180,192
Internal Service Funds	-	-	3,788	3,788
Total Governmental Activities	<u>\$ 104,183,142</u>	<u>8,402,737</u>	<u>10,367,718</u>	<u>\$ 122,953,597</u>
Downriver Sewage Disposal System	\$ 3,473,331	-	-	\$ 3,473,331
Rouge Valley Sewage Disposal System	9,249,525	-	-	9,249,525
CSO Basins Sewage Disposal System	906,904	-	-	906,904
Non-major Enterprise Funds	5,348,583	-	-	5,348,583
Total Business-Type Activities	<u>\$ 18,978,343</u>	<u>-</u>	<u>-</u>	<u>\$ 18,978,343</u>
Airport Authority	\$ -	13,876,493	-	\$ 13,876,493
Circuit Court	12,138,262	-	-	12,138,262
Non-major Component Units	-	-	1,586,355	1,586,355
Total Component Units	<u>\$ 12,138,262</u>	<u>13,876,493</u>	<u>1,586,355</u>	<u>\$ 27,601,110</u>



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(10) Interfund Transfers, Balances, and Advances, Continued**

There are certain receivables from governmental activities, classified as current on the Government-wide Statement of Net Assets, that are not expected to be collected within one year. At September 30, 2004 there are approximately \$4.2 million of receivables from Federal, State, and various local municipalities that are not expected to be collected within one year. There is also approximately \$740,000 of contractor and other receivables that are not expected to be collected within one year.

	Due To Other Governmental Units		
	State of Michigan	Local Governments	Total
General Fund	\$ 1,042,191	-	\$ 1,042,191
Roads	8,948,700	3,866,221	12,814,921
Mental Health	7,927,288	-	7,927,288
Total Governmental Activities	<u>\$ 17,918,179</u>	<u>3,866,221</u>	<u>\$ 21,784,400</u>
Downriver Sewage Disposal System	\$ 37,277	-	\$ 37,277
Total Business-type Activities	<u>\$ 37,277</u>	<u>-</u>	<u>\$ 37,277</u>
Airport Authority	\$ -	50,075	\$ 50,075
Circuit Court	2,840,320	-	2,840,320
Non-major Component Units	-	104,133	104,133
Total Component Units	<u>\$ 2,840,320</u>	<u>154,208</u>	<u>\$ 2,994,528</u>
Agency Funds	2,392,889	-	2,392,889
Total Fiduciary Funds	<u>\$ 2,392,889</u>	<u>-</u>	<u>\$ 2,392,889</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations**

Changes in long-term liabilities for the year ended September 30, 2004 are summarized in the following tables. County debt is limited to 10.0 percent (or approximately \$5.7 billion) of State Equalized Value of property in the County at September 30, 2004.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Principal Amounts Due within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bonds:					
Wayne County Limited Tax General Obligation Fiscal					
Stabilization Bonds, 6.1% to 6.8%, due serially to 2010	\$ 35,324,696	-	(6,727,582)	28,597,114	\$ 6,011,151
Wayne County Building Authority, Series 1994A					
Refunding Bonds, 2.8% to 6.125%, due serially to 2019	75,830,000	-	(6,359,000)	69,471,000	6,698,000
Wayne County Building Authority - Limited Tax General					
Obligation Capital Improvement Bonds, Series 1996A, 4.00% to 6.50%, due serially to 2016	35,410,000	-	(1,895,000)	33,515,000	2,005,000
Michigan Municipal Bond Authority Local Government					
Loan Program General Obligation Bonds (Capital Improvement Bonds), Series 2003B, 4.30%, due serially through 2024	13,740,000	-	-	13,740,000	465,000
Michigan Transportation Fund Bonds (due serially):					
Series 1998, 4.00% to 5.25%, due 2012	24,380,000	-	(1,950,000)	22,430,000	2,045,000
Michigan Transportation Fund Bonds (due serially):					
Series 1999, 4.0% to 5.3%, due 2013	<u>23,970,000</u>	-	<u>(1,700,000)</u>	<u>22,270,000</u>	<u>1,775,000</u>
Subtotal General obligation bonds	208,654,696	-	(18,631,582)	190,023,114	18,999,151
Bond discount	(3,922,611)	-	462,781	(3,459,830)	(462,781)
Deferred amount on refunding	<u>(2,895,308)</u>	<u>186,794</u>	<u>-</u>	<u>(2,708,514)</u>	<u>(186,794)</u>
Total General obligation bonds	201,836,777	186,794	(18,168,801)	183,854,770	18,349,576
Revenue bonds:					
Michigan Municipal Bond Authority Local Government Loan					
Program Revenue Bonds (Equipment and Real Property Financing Program), Series 1990-F and B, 6.55%, due serially through 2005	466,000	-	(146,000)	320,000	155,000
Warren Valley Golf Course obligations under Wayne County					
Building Authority 1994 Revenue Bonds, 3.50% to 6.825%, due serially to 2019	<u>3,100,000</u>	-	<u>(126,000)</u>	<u>2,974,000</u>	<u>132,000</u>
Total Revenue bonds	<u>3,566,000</u>	-	<u>(272,000)</u>	<u>3,294,000</u>	<u>287,000</u>
Total bonds payable	\$ 205,402,777	186,794	(18,440,801)	187,148,770	\$ 18,636,576

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning			Ending	Principal
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Amounts
					Due within
					<u>One Year</u>
Notes payable:					
Series 2003, due 2004, interest at a discount basis customary for 7-day commercial paper (determined weekly)	82,800,000	-	(82,800,000)	-	-
Series 2004, due 2006, interest at a discount basis customary for 7-day commercial paper (determined weekly)	-	133,500,000	-	133,500,000	41,000,000
Wayne County General Obligation Fannie Mae Notes Payable due 2007	2,000,000	-	(500,000)	1,500,000	500,000
Capital Lease - Wayne County Building	<u>16,794,877</u>	<u>-</u>	<u>(1,413,242)</u>	<u>15,381,635</u>	<u>1,326,988</u>
Total notes and leases payable	<u>101,594,877</u>	<u>133,500,000</u>	<u>(84,713,242)</u>	<u>150,381,635</u>	<u>42,826,988</u>
Total bonds, notes, and leases payable	306,997,654	133,686,794	(103,154,043)	337,530,405	61,463,564
Other long-term obligations:					
State of Michigan Local Emergency Financial Assistance Loan Board, at an initial rate of 5.532%, adjusted annually	46,792,388	1,000,000	-	47,792,388	-
Claims, litigation, and assessments	23,293,718	20,058,249	(23,293,718)	20,058,249	5,515,287
Compensated absences	<u>26,432,257</u>	<u>29,735,817</u>	<u>(26,432,257)</u>	<u>29,735,817</u>	<u>29,735,817</u>
Total other long-term obligations	<u>96,518,363</u>	<u>50,794,066</u>	<u>(49,725,975)</u>	<u>97,586,454</u>	<u>35,251,104</u>
Total Governmental activities	<u>\$ 403,516,017</u>	<u>184,480,860</u>	<u>(152,880,018)</u>	<u>435,116,859</u>	<u>\$ 96,714,668</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	Principal Amounts Due within <u>One Year</u>
<b>Business-type Activities:</b>					
<b>Downriver Sewage Disposal System</b>					
General obligation bonds:					
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1994,					
Revolving Loan Fund, Series #1A-1F, 2%, due 2014	\$ 7,418,925	-	(603,689)	6,815,236	\$ 628,640
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bonds, Series 1999,					
Revolving Loan Fund #5117-01, 2.5%	89,087	3,164	(4,913)	87,338	4,946
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-03, 2%	9,220,000	-	(675,000)	8,545,000	695,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-05, 2.25%	665,000	-	(55,000)	610,000	55,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-07, 2.25%	108,174	-	(19,019)	89,155	14,264
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-15, 2.25%	39,150,000	-	(2,220,000)	36,930,000	2,270,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-18, 2.25%	10,965,000	-	(675,000)	10,290,000	690,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-19, 2.25%	7,981,813	-	(490,000)	7,491,813	500,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1999,					
Revolving Loan Fund #5117-20, 2.50%	10,585,000	-	(505,000)	10,080,000	520,000

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning			Ending	Principal
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Amounts
					Due within
					<u>One Year</u>
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-21, 2.25%	2,033,714	-	(139,008)	1,894,706	143,973
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-23, 2.25%	1,555,000	-	(95,000)	1,460,000	100,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-24, 2.25%	50,905,000	-	(2,485,000)	48,420,000	2,545,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1998,					
Revolving Loan Fund #5117-25, 2.25%	14,795,000	-	(720,000)	14,075,000	740,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-26, 2.25%	4,460,000	-	(275,000)	4,185,000	280,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-27, 2.25%	3,811,521	-	(240,377)	3,571,144	240,376
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-28, 2.25%	1,504,220	-	(84,118)	1,420,102	89,066
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1997,					
Revolving Loan Fund #5117-29, 2.25%	1,985,000	-	(115,000)	1,870,000	115,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Fund #5117-30, 2.25%	4,530,000	-	(260,000)	4,270,000	265,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1995,					
Revolving Loan Fund #5117-31, 2.25%	3,035,000	-	(170,000)	2,865,000	175,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, Series 1999,					
Revolving Loan Fund #5117-32, 2.25%	9,893,048	-	(520,000)	9,373,048	535,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bonds, Series 2000,					
Revolving Loan Fund #5117-34, 2.50%	4,507,443	-	(210,000)	4,297,443	215,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, 1999 Series A					
Refunding Bonds 4.5% to 5.125%, due 2013	6,205,000	-	(500,000)	5,705,000	525,000
Wayne County Downriver Sewage Disposal System					
Limited Tax General Obligation Bond, 1999 Series B					
Bonds 4.5% to 5.125%, due 2018	12,835,000	-	(605,000)	12,230,000	630,000

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning			Ending	Principal
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Amounts
					Due within
					One Year
Deferred gain (loss) on refunding -					
Downriver Sewage Disposal System	(353,546)	35,355	-	(318,191)	(35,355)
Total Downriver general obligation bonds	207,884,399	38,519	(11,666,124)	196,256,794	11,940,910
<b>Rouge Valley Sewage Disposal System</b>					
General obligation bonds:					
Wayne County North Huron Valley-Rouge Valley					
Wastewater Control System bonds, Series 1994C					
Refunding, Michigan Municipal Bond Authority,					
3.6% to 6%, due 2009	3,815,000	-	(540,000)	\$ 3,275,000	585,000
Wayne County Rouge Valley-Huntington Falls Bonds,					
1994F Series, Michigan Municipal Bond Authority,					
4% to 5.55%, due 2004	195,000	-	(195,000)	-	-
Wayne County Rouge Valley- City of Livonia					
SRF #5140-01, Michigan Municipal Bond Authority					
Revolving Loan Fund, 2.25%	350,000	-	(20,000)	330,000	20,000
Total Rouge Valley general obligation bonds	4,360,000	-	(755,000)	3,605,000	605,000
<b>CSO Basins Sewage Disposal System</b>					
General obligation bonds:					
Wayne County Rouge Valley- Dearborn Heights CSO					
Basins Bonds, Series 1994D, Michigan Municipal Bond					
Authority 5.20% to 6.80%, due 2016	525,000	-	(525,000)	-	-
Wayne County Rouge Valley Wastewater - Dearborn					
Heights Michigan Municipal Bond Authority 1999 B					
Bonds AMBAC Insured Bonds, 3.05% to 4.85%,					
generally due serially through 2016	10,340,000	-	(110,000)	10,230,000	670,000
Wayne County Rouge Valley-CSO Basins Bonds, Series					
1994F, Michigan Municipal Bond Authority, 4.35%					
to 6.45%, due 2015	150,000	-	(150,000)	-	-
Wayne County Rouge Valley Wastewater - Inkster (B)					
Michigan Municipal Bond Authority 1999 B Bonds					
AMBAC Insured Bonds, 3.05% to 4.80%, generally due					
serially through 2015	2,545,000	-	(25,000)	2,520,000	185,000
Wayne County Rouge Valley-Inkster CSO Basins Bonds,					
Series 1994G, Michigan Municipal Bond Authority,					
4.45% to 6.80%, due 2015	360,000	-	(360,000)	-	-
Wayne County Rouge Valley Wastewater - Inkster (A)					
Michigan Municipal Bond Authority 1999 B Bonds					
AMBAC Insured Bonds, 3.05% to 4.80%, generally due					
serially through 2015	5,940,000	-	(65,000)	5,875,000	455,000
Wayne County Rouge Valley- Inkster, Michigan Municipal					
Bond Authority Revolving Loan Fund, #5106-01, 2%	1,800,000	-	(125,000)	1,675,000	125,000

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning			Ending	Principal
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Amounts
					Due within
					<u>One Year</u>
Wayne County Rouge Valley- Dearborn Heights , Michigan Municipal Bond Authority Revolving Loan Fund, #5104-01, 2.25%	1,855,000	-	(125,000)	1,730,000	130,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5123-01, 2.25%	4,581,599	-	(260,000)	4,321,599	270,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995B, City of River Rouge, Combined Sewer Overflow, 3.7% to 5.3%, due serially through 2011	12,910,000	-	(655,000)	12,255,000	685,000
Deferred gain (loss) on refunding - CSO Basins Sewage disposal system	<u>(1,901,159)</u>	<u>151,510</u>	<u>-</u>	<u>(1,749,649)</u>	<u>(151,511)</u>
Total CSO Basins general obligation bonds	39,105,440	151,510	(2,400,000)	36,856,950	2,368,489
<b>Non-Major business-type activities:</b>					
Northeast Revenue bonds:					
Wayne County Northeast Sewage Disposal System Revenue Bonds, Series 1993, Michigan Municipal Bond Authority Revolving Loan Fund, 2%, generally due serially through 2014	3,860,000	-	(315,000)	3,545,000	325,000
Wayne County Northeast Sewage Disposal System, Series 1994G, Michigan Municipal Bond Authority, 4.45% to 6.80%, due 2014	105,000	-	(105,000)	-	-
Wayne County Northeast Sewage Disposal System Michigan Municipal Bond Authority 1999 B Revenue Bonds AMBAC Insured Bonds, 3.05% to 4.75%, generally due serially through 2014	1,570,000	-	(20,000)	1,550,000	130,000
Deferred gain (loss) on refunding - Northeast sewage disposal system	<u>(157,179)</u>	<u>14,289</u>	<u>-</u>	<u>(142,890)</u>	<u>(14,289)</u>
Total non-major business-type activity revenue bonds	<u>5,377,821</u>	<u>14,289</u>	<u>(440,000)</u>	<u>4,952,110</u>	<u>440,711</u>
Total Business-type activities	<u>\$ 256,727,660</u>	<u>204,318</u>	<u>(15,261,124)</u>	<u>241,670,854</u>	<u>\$ 15,355,110</u>

**(11) Debt and Other Obligations, Continued**

**Governmental Activities**

Delinquent property tax receivables (and amounts collected) are pledged as collateral for the repayment of the September 30, 2004 outstanding General Obligation Limited Tax Notes of \$133.5 million (Note 9).

The County participates in the Equipment and Real Property Financing Program of Michigan Municipal Bond Authority (MMBA) to finance purchases of property and equipment on more favorable borrowing terms than might otherwise be available. The total borrowings by the County may not exceed .5 percent (or approximately \$285 million) of State Equalized Value of property in the County at September 30, 2004. The amount outstanding on these bonds was \$320,000 at September 30, 2004.

In 1988, in connection with the refinancing of certain General Fund obligations in prior years, the County issued \$103.8 million in Fiscal Stabilization Bonds to the MMBA, which concurrently issued Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds), Series 1986A, Group 12B (Insured Wayne County Bonds).

The legislation enabling the issuance of the Fiscal Stabilization Bonds and Emergency Loan Board Notes increased the state cigarette tax to provide revenues to the County with which to fund the debt service requirements on this debt. In addition, the legislation provided for a special tax on airport parking to provide additional General Fund unrestricted revenues. The County's share of state cigarette tax collections (estimated to be \$16 million annually) is first applied to service the Fiscal Stabilization Bonds. The County's state revenue sharing has also been pledged as security for these bonds. The County's obligation to pay the Fiscal Stabilization Bonds is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

In January 1991, the MMBA refunded its Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds). Concurrently, the terms of the related Wayne County Fiscal Stabilization Bonds held by the MMBA were modified, principally to revise the timing of the principal payments and the amount of interest, enabling the repayment of the County's Emergency Loan Board notes to be accelerated. These Emergency Loan Board Notes were repaid in 1997.

In March 1994, the Building Authority issued \$105.9 million in bonds with an average interest rate of 5.8 percent, of which \$97.6 million was used to advance-refund \$97.2 million of bonds, with the remaining \$8.3 million in bonds to be used for renovations and improvements on the Wayne County Youth Home and for the demolition of abandoned buildings on the Eloise Westland property. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

In March 1994, the Building Authority issued \$3.3 million in bonds to finance assets of the Warren Valley Golf Course. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

In November 1996, the Building Authority issued \$45.0 million in Series 1996A debt with an average interest rate of 5.8 percent to finance construction of the Wayne County Juvenile Detention Facility, as well as other capital projects. These bonds are payable by the Building Authority solely from the rental payments to be made by the County and from funds relating to this issue held by the Trustee. The County's obligation to make the rental payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

Michigan Transportation Fund Bonds, Series 1998, in the aggregate amount of \$31.3 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2012 at interest rates ranging from 4.0% to 5.25%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51



**(11) Debt and Other Obligations, Continued**

of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered limited tax general obligations of the County.

Michigan Transportation Fund Bonds, Series 1999, in the aggregate amount of \$28.7 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2013 at interest rates ranging from 4.0% to 5.3%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51 of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered limited tax general obligations of the County.

In November 1999, the Wayne County Third Judicial Circuit Court dismissed a \$40 million lawsuit between the State of Michigan (the "State") and the County regarding funding of disputed Abuse/Neglect Fund (formerly the Child Care Fund) costs. Pursuant to this Order of Dismissal, the State and the County entered into a Settlement Agreement (the Agreement), whereby the State agreed to release the County from all related liability in exchange for a loan payable in the amount of approximately \$39.9 million from the Local Emergency Financial Assistance Loan Board, at an initial rate of 5.532% per annum. The interest rate is adjusted annually by the State Treasurer, effective July 1<sup>st</sup> of each year. At September 30, 2004, the amount due on the loan is approximately \$47.8 million, including accrued interest of approximately \$7.9 million.

The Agreement further stipulates that the loan (a) shall be subordinate to the payments due on any outstanding bonds issued by the County under the Fiscal Stabilization Act (the County's Fiscal Stabilization Bonds mature in fiscal year 2010); (b) shall be repaid from distributions received by the County from the State Health and Safety Fund pursuant to section 5(b)(i) of 1987 PA 264, (Cigarette Tax) only; and (c) shall not be secured by the County's full faith and credit or any other resources of the County. Loan payments are not scheduled to commence until such time as Cigarette Tax revenue is available, fiscal year 2010.

In September 2003, the County issued General Obligation Limited Tax Capital Improvement Bonds Series 2003 in the amount of \$13.7 million. The bonds are due serially through 2024 with an average interest rate of 4.3% and will fund structural repairs to the tower of the Wayne County Building, architectural changes and additions to the Prosecutor's offices, other County buildings and the purchase of related equipment. The County has pledged its full faith and credit for repayment, subject to certain limitations.

Claims, litigation, and assessments represent actions, which have been asserted and are probable of loss and estimable. The amount of probable loss has been determined through court orders, judgments, or annual estimates by the County's Corporation Counsel. Claims and assessments that are not probable of loss or are not estimable are discussed in Note 14, Commitments and Contingencies.

These liabilities are generally liquidated through the County's Long-term Disability, General Health, Worker's Compensation and General Liability internal service funds. Those funds finance the payment of those claims by charging the other funds based on budgeted fringe benefit rates. Litigation and assessments are liquidated in the respective funds.

Amounts accrued for unpaid vacation and sick pay represent the accumulated, vested obligation of the County at September 30, 2004 for such benefits, payable to present governmental fund employees at future dates upon employee termination, retirement, or death.

**(11) Debt and Other Obligations, Continued**

Payments on the general obligation bonds that pertain to the County's governmental activities are made by the debt service funds, except for the note payable, which is repaid directly from the Delinquent Tax Revolving enterprise fund. The compensated absences liability attributable to the governmental activities are liquidated in the respective funds.

Capital Leases

Effective December 29, 1984, the County, through its Economic Development Corporation (EDC), sold the County Building to the Old Wayne County Building Limited Partnership (the Partnership) for the purpose of restoration and leased it back in 1987 under a ten-year leasing arrangement (Note 7). On November 1, 1997, the County entered into a third amendment to the building lease with the Partnership. The ten-year lease expires October 31, 2007. The County has an option to extend the term of the Building lease for a second ten (10) year renewal term. The County has an option to purchase the Old County Building at the end of the first renewal term and the second renewal term. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum quarterly payments from the County of \$790,464. The rentals effectively provide for the debt service requirements of the Partnership.

At September 30, 2004, the outstanding portion of the capital lease obligation was \$15.4 million, for rentals until the expiration of the second renewal term in 2018. The \$15.4 million obligation excludes expenses charges by the Partnership in excess of the capital lease.

The future minimum lease obligations of these minimum lease payments as of September 30, 2004, were as follows:

Wayne County Building Capital Lease Obligation			
Year Ended September 30,	Principal	Interest	
2005	\$ 1,326,988	\$ 1,834,866	
2006	1,245,998	1,915,856	
2007	1,169,951	1,991,903	
2008	1,098,546	2,063,308	
2009	1,031,498	2,130,356	
2010-2014	4,286,576	11,522,694	
2015-2018	<u>5,222,078</u>	<u>7,640,545</u>	
Total	<u>\$ 15,381,635</u>	<u>\$ 29,099,528</u>	

In a related transaction, the County recorded a \$5.3 million note from the Partnership, which accrues interest at a rate of 9% (Note 7). The note is recorded as a long-term receivable and the lease is recorded as a long-term liability in the Building and Grounds Maintenance Internal Service Fund.

**(11) Debt and Other Obligations, Continued**

In May 1999, the County authorized the expenditure of up to \$50 million for land acquisition and land development costs for the Pinnacle Aeropark Project, a state of the art business and industrial park located next to the Detroit Metropolitan Wayne County Airport. The County through the ELF Fund acquired and leased back the property at a cost of \$35.2 million. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum semi-annual payments of \$1,285,767 from the County's Pinnacle Fund. As of September 30, 2004, the amount recorded in the fund statements on the long-term receivable and the capital lease payable was approximately \$31.6 million, however these amounts have been eliminated in the government-wide financial statements.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

Pinnacle Aeropark Capital Lease <u>Obligation</u>			
Year Ended			
<u>September 30,</u>	<u>Principal</u>		<u>Interest</u>
2005	\$ 1,329,590	\$	1,241,944
2006	1,383,003		1,188,531
2007	1,438,562		1,132,972
2008	1,496,353		1,075,181
2009	1,556,465		1,015,069
2010-2014	8,772,011		4,085,659
2015-2019	<u>15,575,737</u>		<u>2,176,316</u>
Total	<u>\$ 31,551,721</u>	\$	<u>11,915,672</u>

In June 2001, the County entered into a loan agreement with Fannie Mae, a corporation organized and existing under the laws of the United States of America, to borrow \$2.75 million for the purpose of acquiring, managing, maintaining, renovating, demolishing, marketing and selling of blighted properties located primarily in Highland Park, thereby decreasing the number of homes constituting public nuisances, all in furtherance of the County's responsibilities for providing for the health, safety, and welfare of its citizens. This promissory note is backed by the full faith and credit of the County. Annual installments of \$500,000 are due on June 1<sup>st</sup>, payable through 2007. Interest shall accrue quarterly and shall be determined by Fannie Mae based on a floating rate, obtained by adding ninety (90) basis points to the three (3) month LIBOR, adjusted quarterly, based on such rate as published in The Wall Street Journal on the last business day of the month immediately preceding each quarter. The note payable at September 30, 2004 of \$1.5 million to Fannie Mae is included in the government-wide financial statements.

As discussed in Note 7, the County, through the ELF Fund, acquired and leased back all Golf Course Fund capital assets. As of September 30, 2004, the outstanding portion of the capital lease associated with the Parks/Golf Course assets was approximately \$13.5 million, however, such lease has been eliminated in the government-wide financial statements.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

Parks/Golf Course Capital Lease Obligation			
Year Ended September 30,	Principal		Interest
2005	\$ 308,632	\$	418,918
2006	318,230		409,320
2007	328,127		399,423
2008	338,332		389,218
2009	348,854		378,696
2010-2014	1,913,919		1,723,831
2015-2019	2,230,629		1,407,121
2020-2024	2,599,751		1,037,999
2025-2029	3,029,950		607,800
2030-2032	<u>2,053,612</u>		<u>129,040</u>
Total	<u>\$ 13,470,036</u>	\$	<u>6,901,366</u>

Operating Leases

The County is committed under 18 leases for office and storage space. These leases are considered for accounting purposes to be non-cancelable operating leases. Lease expenditures for the year ended September 30, 2004, amounted to \$7,520,745. Future minimum lease payments for these leases are as follows:

September 30,	Operating Lease Obligations
2005	\$ 7,866,171
2006	7,924,304
2007	8,119,107
2008	8,324,558
2009	<u>8,538,540</u>
Total minimum lease payments	<u>\$ 40,772,680</u>

**Business-type Activities**

*Sewage Disposal Systems* – The principal and interest payments on all the sewage disposal system bonds, other than the Wayne County Northeast Sewage Disposal System revenue bonds, are payable from contributions of the participating local governmental units as set forth in the related sewage disposal system contracts and bond ordinances. The Northeast Sewage Disposal System revenue bonds are payable from the net revenues of the sewage disposal system. The net revenues (as defined) of the sewage disposal system are pledged as collateral for the debt service requirements. In the event of default, the County has agreed to advance funds sufficient for payment of bond principal and interest. The County incurred no net bond interest costs for the year ended September 30, 2004.

In 1994, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$13.0 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$12.6 million from the revolving loan fund for the projects supported by these bonds.

**(11) Debt and Other Obligations, Continued**

In 1995, the County authorized additional issuance of bonds to the MMBA Revolving Loan Fund for up to \$21.4 million for the Downriver Sewage Disposal System and the CSO Basins Sewage Disposal System. Through September 30, 2004, the County received \$21.3 million from the revolving loan fund.

In 1995, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.2 million for the Rouge Valley Sewage Disposal System. Through September 30, 2004, the County received \$5.2 million from the revolving loan fund.

In 1996, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$78.8 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$78.0 million from the revolving loan fund.

In 1997, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$84.0 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$82.9 million from the revolving loan fund.

In 1998, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$31.3 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$31.2 million from the revolving loan fund.

In 1998, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$425,000 for the Rouge Valley Sewage Disposal System. Through September 30, 2004, the County received \$425,000 from the revolving loan fund.

In 1999, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$12.6 million for the Downriver Sewage Disposal System. An estimated \$445,000 of this amount is designated for two communities covered under the Chapter 20 Drainage District, a component unit of the County of Wayne, and is reported under the Component Unit segment of County debt. Through September 30, 2004 the County received \$12.5 million from the revolving loan fund, of which \$426,151 is directly attributable to the Chapter 20 Drainage District's bond debt.

In 2000, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.1 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$4.9 million from the revolving loan fund.

The County has pledged its full faith and credit on \$10.1 million of water and sewage bonds issued by local communities for various water and sewer construction activities. The obligations are being paid from the revenues of the various communities' water and sewage fund operations. The assets and related obligations have not been reflected within the County's basic financial statements for these activities.

In December 1995, the County authorized the issuance of bonds in an aggregate principal amount of \$16.3 million designated Wayne County Combined Sewer Overflow (City of River Rouge) Bonds, Series B. These bonds were used to finance construction of a combined sewer overflow control facility in the City of River Rouge to comply with the requirements of a federal grant and applicable National Pollutant Discharge Elimination System (NPDES) permit. The obligations are limited tax general obligations of the County of Wayne, but are payable from contractual payments to be received from the City of River Rouge.

In April 1999, the County issued \$23.1 million, Series 1999B Revenue Bonds, under the MMBA Local Government Loan Program to provide resources to advance refund \$20.3 million of existing Sewage Disposal System Debt, Series 1994D, F and G, and Chapter 21 Drainage District, a component unit, Series 1993B. The proceeds of the refunding bonds were placed into an irrevocable trust to provide for all future debt service

**1) Debt and Other Obligations, Continued**

payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County of Wayne, but is payable from contractual payments to be received from the communities participating in the respective sewage disposal systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

In August 1999, the County issued the Series 1999A Refunding Bonds in the amount of \$6.5 million and the Series 1999B bonds in the amount of \$15.0 million for the Downriver Sewage Disposal System, under the MMBA's Local Government Loan Program. Proceeds from the 1999A Series bonds were used to advance refund \$6.1 million of the existing Sewage Disposal System Debt, Series 1994A. Proceeds from the 1999B Series Bonds were used to finance improvements to the Downriver Sewage Disposal System.

The proceeds of the 1999A refunding bonds were placed into an irrevocable trust to provide for all future debt service payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County, but is payable from contractual payments to be received from the communities participating in the respective sewage disposal systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

**Other**

The annual requirements to pay principal and interest on the debt as reflected above (excluding claims, litigation and assessments, worker's compensation, capital lease obligations, and compensated absences) at September 30, 2004, are summarized as follows:

**Governmental Activities - Bonds**

Year Ended September 30,	<u>General Obligations</u>		<u>Revenue</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 60,499,152	18,921,588	\$ 287,000	189,957
2006	112,318,903	18,130,482	305,000	171,997
2007	20,147,147	17,773,616	146,000	158,656
2008	20,063,176	17,300,509	154,000	150,140
2009	20,443,234	19,337,772	163,000	140,823
2010-2014	61,875,502	19,738,786	965,000	541,393
2015-2019	25,181,000	4,304,453	1,274,000	203,656
2020-2024	4,495,000	545,175	-	-
Total	<u>\$ 325,023,114</u>	<u>116,052,381</u>	<u>\$ 3,294,000</u>	<u>1,556,622</u>
Bonds Payable	\$ 190,023,114	115,387,153		
Notes Payable	135,000,000	665,228		
Total	<u>\$ 325,023,114</u>	<u>116,052,381</u>		

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

**Business-type Activities - Bonds**

**Downriver Sewage Disposal System - General Obligation**

Year Ended September 30,		<u>Principal</u>	<u>Interest</u>
2005	\$	11,976,265	4,908,915
2006		12,248,671	4,613,064
2007		12,573,832	4,310,426
2008		12,886,918	3,997,943
2009		13,196,348	3,675,144
2010-2014		70,423,292	13,171,595
2015-2019		57,455,938	4,483,001
2020-2021		<u>5,813,721</u>	<u>131,795</u>
Total	\$	<u>196,574,985</u>	<u>39,291,883</u>

**Rouge Valley Sewage Disposal System - General Obligation**

Year Ended September 30,		<u>Principal</u>	<u>Interest</u>
2005	\$	605,000	183,358
2006		645,000	148,110
2007		685,000	109,918
2008		700,000	69,450
2009		740,000	27,000
2010-2014		105,000	20,194
2015-2019		<u>125,000</u>	<u>7,031</u>
Total	\$	<u>3,605,000</u>	<u>565,061</u>

**CSO Basins Sewage Disposal System - General Obligation**

Year Ended September 30,		<u>Principal</u>	<u>Interest</u>
2005	\$	2,520,000	1,642,391
2006		2,600,000	1,545,611
2007		2,710,000	1,443,993
2008		2,820,000	1,336,297
2009		2,940,000	1,221,806
2010-2014		16,420,000	4,140,772
2015-2018		<u>8,596,599</u>	<u>679,673</u>
Total	\$	<u>38,606,599</u>	<u>12,010,543</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

11) Debt and Other Obligations, Continued

Non-major Business-type Activities - Bonds

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 455,000	139,205
2006	460,000	127,505
2007	475,000	115,640
2008	490,000	103,200
2009	500,000	90,210
2010-2014	<u>2,715,000</u>	<u>236,653</u>
Total	<u>\$ 5,095,000</u>	<u>812,413</u>

In prior years, the County defeased the future principal payments of the following issues by depositing U.S. Treasury obligations with escrow agents:

**Primary Government:**

1994	North Huron Valley - Rouge Valley Wastewater Control System Bonds, Series 1989	\$ 3,200,000
1999	Rouge Valley - Dearborn Heights CSO Basins Bonds Series 1994D	9,705,000
1999	Rouge Valley - Inkster CSO Basins Bonds Series 1994F	2,445,000
1999	Rouge Valley - Inkster CSO Basins Bonds Series 1994G	5,595,000
1999	Northeast Sewage Disposal System Bonds Series 1994G	1,475,000
1999	Downriver Sewage Disposal System Bonds Series 1994A	<u>6,065,000</u>
	Total primary government	<u>\$ 28,485,000</u>

**Component Units:**

1994	Chapter 20 Drainage Districts- various municipal obligations	\$ 5,230,000
1999	Chapter 21 (Milk river) Drainage District bonds, 1994 Series A	<u>1,065,000</u>
	Total component units	<u>\$ 6,295,000</u>
	Total defeased debt	<u>34,780,000</u>

**Component Units**

Changes in long-term obligations related to component units at September 30, 2004 are summarized as follows:



CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

Component Units:	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
Airport Authority					
Detroit Metropolitan Airport:					
Series 1993A, 3.0% to 5.4%, due 2017	11,340,000	-	(11,340,000)	-	-
Series 1993B, 2.9% to 5.50%, due 2022	63,110,000	-	(63,110,000)	-	-
Series 1993C, 2.8% to 5.25%, due 2022	54,690,000	-	(54,690,000)	-	-
Series 1994A, 3.5% to 5.875%, due 2009	18,565,000	-	(3,215,000)	15,350,000	3,165,000
Series 1994B, 4.85% to 6.125%, due 2025	11,525,000	-	(265,000)	11,260,000	280,000
Series 1996A, 3.65% to 5.72%, due 2017	54,610,000	-	(2,700,000)	51,910,000	2,800,000
Series 1996B, 3.65% to 5.72%, due 2017	54,610,000	-	(2,700,000)	51,910,000	2,800,000
Series 1998A, 4.20% to 5.50%, due 2028	839,935,000	-	(15,670,000)	824,265,000	16,415,000
Series 1998B, 4.10% to 5.25%, due 2028	159,930,000	-	(3,130,000)	156,800,000	3,265,000
Series 2001 Junior Lien, variable, 1.66% due 2009	124,680,000	-	(17,300,000)	107,380,000	100,000
Series 2002A, variable, 1.71%, due 2033	141,720,000	-	-	141,720,000	-
Series 2002C, 3.00% to 5.375%, due 2021	26,435,000	-	(100,000)	26,335,000	100,000
Series 2002D, 5.0% to 5.5%, due 2022	76,030,000	-	-	76,030,000	-
Series 2003A-1, variable, 1.45%, due 2033	-	75,000,000	-	75,000,000	-
Series 2003A-2, variable, 1.5%, due 2033	-	75,000,000	-	75,000,000	-
Series 2003A-3, variable, 1.47%, due 2033	-	64,975,000	-	64,975,000	-
Series 2003B, variable, 1.55%, due 2021	-	75,050,000	-	75,050,000	3,475,000
Series 2003C, variable, 1.32%, due 2021	-	54,300,000	-	54,300,000	3,350,000
Energy Conservation Improvement Agreement, 5.625% due 2011	12,930,000	-	(1,300,000)	11,630,000	1,395,000
Bond Discount	(14,259,218)	2,818,680	-	(11,440,538)	-
Deferred gain (loss) on refunding	(16,342,188)	7,415,247	(13,434,984)	(22,361,925)	-
Bond Premium	5,704,051	-	(426,338)	5,277,713	-
Total Detroit Metropolitan Airport	1,625,212,645	354,558,927	(189,381,322)	1,790,390,250	37,145,000
Airport Hotel revenue bonds:					
Series 2001A Hotel, 5.00% to 5.50%, due 2030	99,630,000	-	-	99,630,000	-
Series 2001B Hotel, 6.00% to 6.60%, due 2015	11,290,000	-	-	11,290,000	-
Capital/FF&E Reserve Loan, 8%, due 2017	5,000,000	-	-	5,000,000	549,365
Working Capital Loan 8%, due 2017	1,500,000	-	-	1,500,000	-
Bond Discount	(2,740,647)	129,525	-	(2,611,122)	-
Total Airport Hotel revenue bonds	114,679,353	129,525	-	114,808,878	549,365
Airport notes payable:					
Willow Run Airport - Washtenaw County, 0%, due 2019	-	292,133	-	292,133	14,607
Willow Run Airport - University of Michigan, 8%, due 2013	445,801	-	(531)	445,270	-
Total Airport note payables	445,801	292,133	(531)	737,403	14,607
Total Airport Authority	1,740,337,799	354,980,585	(189,381,853)	1,905,936,531	37,708,972

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to the Basic Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
Circuit Court:					
Capital Lease	<u>7,242,327</u>	<u>-</u>	<u>(3,070,979)</u>	<u>4,171,348</u>	<u>3,254,500</u>
Total Circuit Court	7,242,327	-	(3,070,979)	4,171,348	3,254,500
<b>Non-major Component Units:</b>					
General obligation debt:					
Chapter 20 Drainage Bonds, payable from future property tax assessments, 3.15% to 10.0%, generally due serially through 2012	<u>10,495,954</u>	<u>277,793</u>	<u>(1,381,730)</u>	<u>9,392,017</u>	<u>1,442,194</u>
Revenue bonds:					
Chapter 21 (Milk River) Drainage District Bonds, 1991 Series A, Michigan Municipal Bond Authority Revolving Loan Fund, payable from future property tax assessments, 2%, generally due serially through 2012	10,945,000	-	(1,120,000)	9,825,000	1,145,000
Chapter 21 (Milk River) Drainage District bonds, 1992 Series A, Michigan Municipal Bond Authority Revolving Loan Fund, payable from future property tax assessments, 2%, generally due serially through 2012	1,420,095	-	(155,000)	1,265,095	155,000
Chapter 21 (Milk River) Drainage District bonds, 1993 Series A, payable from future property tax assessments, 3.50% to 8.50%, generally due serially through 2012	2,580,000	-	(220,000)	2,360,000	235,000
Chapter 21 (Milk River) Drainage District bonds, 1994 Series A, payable from future property tax assessments, 3.50% to 8.50%, generally due serially through 2012	100,000	-	(100,000)	-	-
Chapter 21 (Milk River) Drainage District bonds, 1999 Series b, payable from future property tax assessments, 3.05% to 4.85%, generally due serially through 2016	1,130,000	-	(15,000)	1,115,000	120,000
Detroit-Wayne County Stadium Authority Revenue Bonds, 3.70% to 5.50%, due serially to 2027	<u>80,865,000</u>	<u>-</u>	<u>(935,000)</u>	<u>79,930,000</u>	<u>935,000</u>
Total Revenue bonds	97,040,095	-	(2,545,000)	94,495,095	2,590,000
Notes Payable:					
Desbrow Intercounty Drain Drainage District \$235,000 Note Payable at 2.34% per annum until 2006	235,000	-	(78,333)	156,667	78,333
Chapter 8 Brooks Drain Drainage District \$150,000 Note Payable at 3.43% per annum until 2009 maturity	-	150,000	-	150,000	30,000

(11) Debt and Other Obligations, Continued

	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
Chapter 8 Odette Drain Drainage District \$250,000 Note Payable at 3.59% per annum until 2009 maturity	-	250,000	-	250,000	50,000
Chapter 8 Shuart Drain Drainage District \$97,000 Note Payable at 3.39% per annum until 2009 maturity	-	97,000	-	97,000	20,000
Michigan Municipal Bond Authority Loan Program Revenue bonds, 3.55%, due 2008	1,105,000	-	(205,722)	899,278	213,092
Total Notes Payable	1,340,000	497,000	(284,055)	1,552,945	391,425
Total Non-major Component Units	108,876,049	774,793	(4,210,785)	105,440,057	4,423,619
Total Component Units	<u>1,856,456,175</u>	<u>355,755,378</u>	<u>(196,663,617)</u>	<u>2,015,547,936</u>	<u>45,387,091</u>

*Airport Authority* - Pursuant to the Authority Act, the Authority is liable for all of the obligations with respect to the Authority, with the exception of the County's pledge of its limited tax full faith and credit, subject to constitutional, statutory, and charter tax rate limitations, associated with the \$110.9 million Airport Hotel Revenue Bonds, Series 2001A and 2001B, issued by the County. This includes all of the County's obligations on outstanding Senior Lien Bonds and Junior Lien Bonds issued by the County under the County's Amended and Restated Master Airport Revenue Bond Ordinance No. 319 and its predecessor Ordinance 319, as amended and supplemented by various amending and supplemental ordinances adopted by the County, including the Series Ordinance adopted for each outstanding series of airport revenue bonds issued there under by the County (collectively, Ordinance 319). Pursuant to the Authority Act, the Authority is obligated to perform all of the duties, and is bound by all of the covenants, with respect to the Authority under any ordinances (including Ordinance 319), agreements, or other instruments and under law. Under the Authority Act, all airport revenue bonds issued by the Authority may be issue on a parity basis with the outstanding Senior Lien Bonds issued by the County under Ordinance 319 and additional bonds issued by the Authority under the Master Bond Ordinance, and secured by net revenues.

Net revenues (as defined in the various bond ordinances) of Metro Airport have been pledged toward the repayment of the Airport Revenue Bonds.

The Airport Revenue Bond Ordinances require that Metro Airport restrict assets to provide for the operations, maintenance, and administrative expenses of the subsequent month, the redemption of bond principal and interest, and for other purposes as defined in those ordinances.

In August 1993, the County entered into a \$445,801 note payable agreement to purchase the Packard Hanger located at the Willow Run Airport, from the University of Michigan. The agreement calls for quarterly interest payments of \$9,511 commencing on September 1, 1993. Principal payments on the note are required if revenue in excess of \$60,000 is generated at the Packard Hanger site during any calendar year. In this situation, half of the revenue generated would be required to be paid to the University of Michigan. On September 1, 2013, any principal and interest remaining unpaid are due.

#### 41) Debt and Other Obligations, Continued

In May 1990, the County entered into agreements with MESABA Aviation to issue approximately \$3.6 million in Airport Special Facility Revenue Bonds to finance the construction of an airline maintenance facility. All debt service costs will be paid by the airline through a trustee. The County and the Authority are not obligated in any manner to provide debt service in the event of default by MESABA. The agreement also provides for the airline to construct a ramp and taxiway connection. As these bonds are payable from special facility lease rentals payable in full by the respective airlines, the related debt has not been reflected in the financial statements of the Authority or the County.

In October 1996, the County issued \$135.8 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 1996A and 1996B to retire Series 1986 Bonds, at their earliest optional redemption date of December 1, 1996. The Series 1996A and 1996B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport. The refunding bonds are subject to interest rate adjustments determined from time to time by a remarketing agent to reflect the prevailing market. The interest rate borne by the bonds, however, is capped at 12 percent or the maximum rate under Michigan law, so long as a letter of credit is in place. In anticipation of this refunding, in October 1993, the County entered into an interest-rate swap agreement with a notional principal amount of \$126 million, which permitted the County to change the terms of the anticipated bond offering from a variable rate to a fixed-rate coupon of 5.72 percent. Additionally, Interest payments that are made to and received from the counter party commencing December 1, 1996 through the swap termination in 2008, will be reflected as an adjustment of interest expense on the refunding bonds.

Effective April 2, 2004, the Airport Authority entered into a wrapper supplement to the 1996 interest rate Swap Agreement, which swaps variable rate to fixed rate on the unhedged portion of 1996 Bonds and which extends final maturity of the Swap from 2008 and 2016 (the final maturity of the 1996 Bonds), resulting in a new fixed-rate coupon of 5.1082% and present value savings of \$2.9 million.

As of September 30, 2004 rates were as follows:

Interest rate	Term	Rate
Fixed payment to counterparties	Fixed	5.1082%
Variable rate from counterparties	BMA	1.6900%
Net interest rate swap payments		3.4182%
Variable-rate bond payment	Market	1.7200%
Synthetic interest rate on bonds		5.1382%

Due to the reduction of interest rates since the execution of the Swap, the Swap had a negative fair value of \$12,113,324 as of September 30, 2004. Due to this negative fair value, the Authority was not exposed to a credit risk. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed. The counterparties, Merrill Lynch and Goldman Sachs, both have S&P ratings of A+, Moody's ratings of AA3, and Fitch ratings of AA- mitigating this risk.

The Swap exposes the Authority to basis risk should the relationship between BMA and the variable-rate bond payments cause the expected cost savings to not be realized. This risk is mitigated by the Authority maintaining bond insurance, a liquidity facility, and an Authority debt program that limits exposure to synthetic issues to a maximum of 10% of the overall airport debt.

The Authority is also exposed to the risk of termination should either the counterparty or the Authority fail to perform under the terms of the contract. A termination during a negative value period could cause the Authority to be liable to the counterparty equal to the Swap fair value. This risk is mitigated by the Authority maintaining bond insurance, a liquidity facility, and the overall debt program.

**(11) Debt and Other Obligations, Continued**

The Series 1996A and 1996B Bonds are revenue obligations of the County and do not constitute indebtedness of the County within the meaning of any constitutional, statutory, or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, premium, if any, or interest on the Series 1996A and 1996B Bonds.

In June 1999, the County entered into agreements with Northwest Airlines to issue approximately \$15.2 million in Airport Special Facility Revenue Bonds to finance the construction of an aircraft maintenance facility. All debt service costs will be paid by the airline through a trustee. The County and the Authority are not obligated in any manner to provide debt service in the event of default by Northwest Airlines. As these bonds are payable from special facility lease rentals payable in full by Northwest Airlines, the related debt has not been reflected in the financial statements of the Authority or the County.

In January 2001, the County issued \$141.9 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Metro Airport. The Series 2001 Bonds and the interest thereon are revenue obligations of the Authority payable from the net revenues derived by the Authority from the operation of Metro Airport and available after net revenues have first been set aside as required to pay the principal and interest and Redemption Price, if any, on Senior Lien Bonds as provided in the Ordinance. The Series 2001 Bonds are "Junior Lien Bonds" under the Ordinance, and a statutory lien subordinate to the prior lien in respect of Senior Lien Bonds have been established under the Ordinance upon and against the net revenues to secure the payment of the Series 2001 Bonds.

The Series 2001 Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2001 Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2001 Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2001 Bonds, and no owner of any Series 2001 Bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In March 2001, the County issued \$110.9 million Airport Hotel Revenue Bonds, Series 2001A and Series 2001B. The 2001A Bonds, \$99.6 million, were issued for the purpose of paying the cost of acquiring, construction, equipping and furnishing an airport hotel and related improvements (the "Airport Hotel") at the new McNamara Terminal of the Detroit Metropolitan Airport to be owned by the County. In addition, these bonds will pay capitalized interest and certain costs of issuance for this series. The 2001B Bonds, \$11.3 million, were issued for the purpose of paying the County Credit Enhancement Fee, funding the Operation and Maintenance Reserve Fund, and paying capitalized interest and certain costs of issuance related to this series.

The County has pledged all net Airport Hotel revenues solely for the payment of the Bonds and the Parity Obligations and a statutory first lien has been granted upon all net Airport Hotel revenues for such purpose. In addition, the County has pledged its limited tax full faith and credit as additional security for payment of the principal, premium, if any, and interest on the Bonds, subject to constitutional, statutory and charter tax rate limitations.

In August 2001, the County entered into an Installment Purchase Contract for \$14.4 million to pay for energy conservation improvements at the Metro Airport. The purchase contract is not a revenue or general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on these improvements.

**41) Debt and Other Obligations, Continued**

In December 2001, the County entered into \$292,133 note payable with Washtenaw County to allow Washtenaw County to use its Michigan Community Development Block Grant to assist Willow Run Airport in renovating Hanger I. The agreement calls for the principal to be paid in quarterly installments commencing March 31, 2005.

In May 2002, the County issued \$141.7 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Airport. The Series 2002A Bonds and the interest thereon are revenue obligations of the Authority payable from the net revenues derived from the operation of the Detroit Metropolitan Airport.

The Series 2002A Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2002A Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2002A Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002A Bonds, and no owner of any Series 2002A Bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In July 2002, the County issued \$102.5 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 2002C and 2002D. The Series 2002C Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990B Bonds and the December 2002 principal amount due on the Series 1998B Bonds. The Series 2002D Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990A Bonds and the Series 1991B Bonds. The Series 2002 C&D Refunding Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of the Detroit Metropolitan Airport.

The County defeased the Series 1990B, Series 1990A, Series 1991B Bonds, and the December 2002 principal amount due on the Series 1998B Bonds by placing the proceeds of the Series 2002C and 2002D Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Series 1990B, the Series 1990A, and the Series 1991B Bonds were subsequently called and paid in full in August 2002. The portion of the Series 1998B Bonds was subsequently called and paid in December 2002. The difference between the cash flows required to service the new debt and complete the refunding was \$15.3 million. The County estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) will approximate \$14.1 million.

The Series 2002C and 2002D Refunding Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002C and 2002D Refunding bonds, and no owner of any Series 2002C and 2002D Refunding bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In November 2002, the Authority entered into two debt agreements with Westin Management Company East (the Hotel Operator). Both loans were provided for in the Hotel Management and Operating agreement. The Capital/FF&E loan was for \$5 million and is to be used solely for future capital improvements to the Airport Hotel. The Working Capital loan was for \$1.5 million and was used to provide initial working capital to operate the Airport Hotel. The net Airport Hotel revenues are pledged solely for the payment of the Airport Hotel

**(11) Debt and Other Obligations, Continued**

Bonds and these loans, and statutory first lien, has been granted upon all net Airport Hotel revenues for such purpose.

In December 2003, the Authority issued \$215 million in Wayne County Airport Authority Airport revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Detroit Metropolitan Airport. The Series 2003A-1, 2003A-2, and 2003A-3 Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport.

The Series 2003A-1, 2003A-2, and 2003A-3 Bonds were issued as Periodic Auction Reset Securities (PARS). The Auction Agent is responsible under an agreement with the Authority to establish the interest rate weekly. The Winning Bid Rate, as determined by the Auction Agent, becomes the weekly interest rate for the Series 2003A-1, 2003A-2, and 2003A-3 Bonds.

In December 2003, the Authority issued \$129.3 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2003B and 2003C. The Series 2003B and 2003C Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The 2003B Refunding Bonds were issued to refund the Series 1993A Bonds and the Series 1999B Bonds. The Series 2003C Refunding Bonds were issued to refund the Series 1993C Bonds. The 2003B and 2003C Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport.

The Authority defeased the Series 1993A, the Series 1993B, and the Series 1993C Bonds. The proceeds of the Series 2003B and 2003C bonds were placed in an irrevocable trust to provide for all future debt service payments. The Series 1993A, the Series 1993B, and the Series 1993C Bonds were subsequently called and paid in full in February 2004. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$13 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$8.1 million.

The Series 2003B and 2003C Bonds were issued as Periodic Auction Reset Securities (PARS). The Auction Agent is responsible under an agreement with the Authority to establish the interest rate weekly for the 2003C Bonds and monthly for the 2003B Bonds. The Winning Bid Rate as determined by the Auction Agent becomes the weekly interest rate for the Series 2003B and 2003C Bonds.

The Authority entered into a variable to fixed interest rate swap agreement, resulting in a fixed coupon rate of 3.4825% for the Series 2003B Bonds and a rate of 3.4265% on the Series 2003C Bonds.

As of September 30, 2004, rates were as follows:

<u>Interest Rate</u>	<u>Term</u>	2003B	2003C
		<u>Rates</u>	<u>Rates</u>
Fixed payment to counterparties	Fixed	3.4852%	3.4265%
Variable rate from counterparties	BMA	1.4872%	1.4872%
Net interest rate swap payments		1.9953%	1.9393%
Variable-rate bond payment	Market	1.5500%	1.3200%
Synthetic interest rate on bonds		3.5453%	3.2593%